

# TOWN OF WEST WARWICK, RHODE ISLAND

## ANNUAL FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013



**Frederick Presley**  
Town Manager

**John Cimino**  
Interim Finance Director

**Prepared by: Finance Department**

TOWN OF WEST WARWICK, RHODE ISLAND

YEAR ENDED JUNE 30, 2013

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**TOWN OF WEST WARWICK, RHODE ISLAND**

**YEAR ENDED JUNE 30, 2013**

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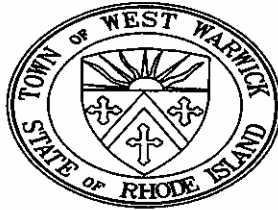
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(CONCLUDED)

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**TOWN OF WEST WARWICK, RHODE ISLAND**



**TOWN COUNCIL**

David Gosselin, Jr. President  
Edward Giroux, Vice President  
Angelo A. Padula, Jr.  
David M. Kenahan  
Brian E. Tucker

**TOWN MANAGER**

Frederick J. Presley

**SCHOOL COMMITTEE**

Shawn Michael Murphy, Chairperson  
Elizabeth B. Brunero, Vice-Chairperson  
Christopher Messier, Clerk  
Steven Lawton  
Joseph Florio, Jr.

**DEPARTMENT DIRECTORS & OFFICIALS**

Interm Town Finance Director	John T. Cimino
Superintendent of Schools	Karen Tarasevich
Director of Financial Operations - School Department	Margaret Baker
Town Solicitor	Timothy Williamson
Town Clerk	Marianne Kelly
Chief of Police	Colonel Richard Silva
Fire Chief	Joseph Baris, Jr.
Tax Assessor	Raymond Beattie, Jr.
Acting Director of Public Works	David Lombardi
Town Planner/Economic Development Coordinator	Ashley Hahn
Building Official	Kerry Anderson
CDBG Coordinator	Elaine Mansour
Superintendent of Sewer Treatment Plant	Bernard J. Bishop
Director of Property & Maintenance - School Department	Kenneth Townsend
Special Education Director - School Department	Paul Vigeant
Director of Technology - School Department	Jim Monti

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# **TOWN OF WEST WARWICK**

## **FINANCIAL SECTION**

- REPORT OF INDEPENDENT AUDITORS
  - MANAGEMENT'S DISCUSSION AND ANALYSIS
  - BASIC FINANCIAL STATEMENTS
  - REQUIRED SUPPLEMENTARY INFORMATION
  - OTHER SUPPLEMENTARY INFORMATION
-

**REPORT OF INDEPENDENT AUDITORS**

To the Honorable Members of the  
Town Council  
Town of West Warwick, Rhode Island

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Warwick, Rhode Island as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Summary of Opinions**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Business-Type Activities	Adverse
Major Governmental Funds	Unmodified
Enterprise Fund – Sewer Authority	Adverse
Enterprise Fund – Municipal Court	Unmodified
Enterprise Fund – School Lunch Program	Unmodified
Aggregate Remaining Fund Information	Unmodified

### ***Basis for Adverse Opinions***

As discussed in Note 5 to the financial statements, management does not have adequate policies and controls in place for maintaining the capital asset records for the Governmental Activities and the Sewer Authority, an Enterprise Fund. Accordingly, the capital asset records maintained by the Town could not be reconciled to the amounts presented in the financial statements for the above noted opinion units. Accounting principles generally accepted in the United States of America require that long-lived assets be capitalized and depreciated, which could increase or decrease assets, net position, and expenses of the governmental activities, business-type activities, and the Sewer Authority Fund. The amount by which the failure to reconcile the capital asset records to the financial statements would affect assets, net position, and expenses of the governmental activities, business-type activities, and the Sewer Authority has not been determined.

### ***Adverse Opinion***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities, the business-type activities and the Sewer Authority Fund of the Town of West Warwick, Rhode Island, as of June 30, 2013, or the changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund, the Municipal Court and School Lunch Program major enterprise funds, and the aggregate remaining fund information of the Town of West Warwick, Rhode Island, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of Funding Progress for Pension Plans, and the Schedule of Funding Progress for OPEB Plans on Pages 5 through 14, Pages 67 through 71, Page 72, and Page 73, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of West Warwick, Rhode Island's financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The List of Town Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2014, on our consideration of the Town of West Warwick, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of West Warwick, Rhode Island's internal control over financial reporting and compliance.

*Marcum LLP*

Providence, Rhode Island  
June 17, 2014

**TOWN OF WEST WARWICK, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**  
**(Un-audited)**

As management of the Town of West Warwick, we offer readers of the Town of West Warwick's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the Town's financial statements that follow this section.

**Financial Highlights**

- ❖ The Town's government-wide net position decreased by \$5,914,717 as a result of this year's current operations. Most of this decrease was due to the increases in the Town liabilities such as the net pension obligation of \$4,671,603 and the net OPEB obligation of \$2,219,590. On a government-wide basis the assets of the Town of West Warwick exceeded its liabilities at the close of the most recent fiscal year by \$36,317,958. Net position of the business-type activities decreased by \$133,271 or 0.2%, while the net position of Governmental Activities decreased by \$5,781,446 or 19.97%.
- ❖ The Town's Government-wide (governmental and business-type activities) operating expenses were \$100,906,281, a 5.2% decrease from the prior year, while revenues collected were \$94,991,564, a 1.2% decrease.
- ❖ As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,308,233. Over 45.6% of this amount, \$4,132,392 is unassigned and available for use within the Town's designation and fiscal policies.
- ❖ At the end of the current fiscal year, the General Fund's unassigned fund balance was \$4,236,302 or 5.3% of the total General Fund budgetary expenditures for the fiscal year. In accordance with generally accepted accounting principles (GAAP), the current fiscal year's expenditures and transfers exceeded revenues and transfers by \$909,768. On a budgetary basis of accounting, expenditures and transfers exceeded revenues and transfers by \$122,095. The final fiscal year 2013 actual budgetary basis revenues included an allocation/use of fund balance of \$631,999 which cannot be included in the Fund Financial Statements but is included in the Budgetary Comparison Schedule. In addition, the GAAP basis statements include a transfer to the Debt Service Fund totaling \$155,674 while this transfer was not part of the fiscal 2013 budget.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town of West Warwick's basic financial statements. These basic financial statements consist of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

In addition to the basic financial statements, this report also contains other supplementary information. The Town's basic financial statements and other supplementary information provide information about the Town's activities. They provide both a short-term and a long-term view of the Town's financial health as well as information about activities for which the Town acts solely as a trustee for the benefit of those outside of the Town's government.

**TOWN OF WEST WARWICK, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**  
**(Un-audited)**

**Government-wide financial statements** – are designed to provide readers with a broad overview of the Town's finances in a manner that is similar to a private-sector business. They are presented on the accrual basis of accounting where revenues and expenditures are recognized on the date they were occurred rather than on the date they were collected or paid.

The *Statement of Net Position* presents information on all of the Town's assets, deferred outflow of resources, liabilities, and deferred inflow of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information which shows how the Town's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods. Examples are uncollected taxes and earned but unused compensated absences.

Both of the government-wide financial statements distinguish functions of the Town of West Warwick, which are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Town's governmental activities include general government, public safety, public works, public assistance, development, recreation, public libraries, education, senior center activities, and interest on long-term debt. The business-type activities of the Town include the West Warwick Sewer Authority, Municipal Court, and the School Lunch Program.

The government-wide financial statements are reported on Pages 15 through 16.

**Fund financial statements** - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of West Warwick, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories-governmental funds and proprietary funds.

**Governmental Funds** - Governmental Funds (Pages 17-20) are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of West Warwick maintains governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, School Unrestricted Fund, and Debt Service Fund which are considered to be major funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**TOWN OF WEST WARWICK, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**  
**(Un-audited)**

**Proprietary Funds** - The Town of West Warwick's Proprietary Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town has three Enterprise Funds. The Sewer Authority, which accounts for the Town's sewer system, the Municipal Court which collects and levies fines and fees, and the School Lunch Program which accounts for the activity of the School's food service program.

The Town's internal service funds represent an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town is self-insured in its health coverage, and the Internal Service Fund reports the actual claims as well as the Town's contribution to the Fund along with employee deductions for the benefit program. The Internal Service Fund is combined with the Governmental Activities in the Government-Wide Financial Statements.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The Proprietary Fund financial statements provide separate information for the Sewer Authority, Municipal Court, and School Lunch Program since all of these funds were considered by the Town to be major funds.

The proprietary fund financial statements are presented on Pages 21 through 24.

**Fiduciary Funds** - Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are *not* reflected in the government-wide financial statement because resources of those funds are *not* available to support the Town of West Warwick's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

The Fiduciary Fund financial statements can be found on Pages 25 through 26.

**Notes to Financial Statements** -The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are presented on Pages 27 through 66.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information pertinent to the Town of West Warwick's operations. Required Supplementary information is presented on Pages 67 through 73.

The combining statements referred to earlier in connection with non-major governmental funds and fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules are presented on Pages 74 through 90.

**Government-wide Financial Analysis**

As noted earlier, over time net position may serve as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. In the case of the Town of West Warwick, assets exceeded liabilities by \$36,317,958 as of June 30, 2013.

Listed below is a comparison of the current and prior fiscal year's statement of net position.

**TOWN OF WEST WARWICK, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**  
**(Un-audited)**

**TOWN OF WEST WARWICK, RHODE ISLAND**  
**NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2013	(Restated) 2012	2013	(Restated) 2012	2013	(Restated) 2012
<b>ASSETS</b>						
Current assets	\$ 15,313,295	\$ 18,256,004	\$ 9,432,794	\$ 16,321,864	\$ 24,746,089	\$ 34,577,868
Noncurrent assets	46,096,209	47,628,123	83,484,825	82,663,977	129,581,034	130,292,100
<b>Total Assets</b>	<u>61,409,504</u>	<u>65,884,127</u>	<u>92,917,619</u>	<u>98,985,841</u>	<u>154,327,123</u>	<u>164,869,968</u>
<b>LIABILITIES</b>						
Current liabilities	7,909,982	9,978,627	2,102,216	8,419,470	10,012,198	18,398,097
Noncurrent liabilities	88,229,879	84,854,411	19,767,088	19,384,785	107,996,967	104,239,196
<b>Total Liabilities</b>	<u>96,139,861</u>	<u>94,833,038</u>	<u>21,869,304</u>	<u>27,804,255</u>	<u>118,009,165</u>	<u>122,637,293</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets	23,499,803	24,205,458	51,470,361	53,443,463	74,970,164	77,648,921
Restricted		2,110		-		2,110
Unrestricted	(58,230,160)	(53,156,479)	19,577,954	17,738,123	(38,652,206)	(35,418,356)
<b>Total Net Position</b>	<u>\$ (34,730,357)</u>	<u>\$ (28,948,911)</u>	<u>\$ 71,048,315</u>	<u>\$ 71,181,586</u>	<u>\$ 36,317,958</u>	<u>\$ 42,232,675</u>

The largest portion of the Town's net position \$74,970,164 reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire these assets that are still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Analysis of the Town of West Warwick's Operations**

The following analysis provides a summary of the Town's operations for the year ended June 30, 2013. The Town first implemented GASB Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments for the fiscal year ended June 30, 2004. Comparative data is presented in the following schedules. Governmental activities decreased the Town's net position by \$5,781,446 for the current period, which is a decrease of 19.97% in the Town's governmental activities net position, while business-type activities decreased the Town's net position by \$133,271, which is a decrease of 0.2%. Overall, the Town's net position decreased by \$5,914,717, which is a 14% decrease over the prior year's net position.

The net change in fund balance for the fiscal year ended June 30, 2013 was an increase of \$1,122,383 for the Town's governmental fund types. In the statement of activities, expenses for capital items are not recorded as expense but shown on the balance sheet, which resulted in a decrease of \$1,927,249 net of depreciation to our net position. Governmental Funds report principal repayments on debt obligations as expenditures; however the repayment has no effect on the net position, which increased net position by \$1,686,421. Reductions in net position included an increase in the Town's net pension obligation of \$4,671,603 and the Town was required to record their liability for "Other Post Employment Benefits" per GASB 45, this liability resulted in reduction of net position of \$2,175,070. See Exhibit B-3 on Page 20 for more detailed explanation of differences between changes in fund balance of the Governmental Funds and changes in net position of the Governmental Activities.

**TOWN OF WEST WARWICK, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**  
**(Un-audited)**

The following presents a summary of the Changes in Net Position for the current and prior fiscal year.

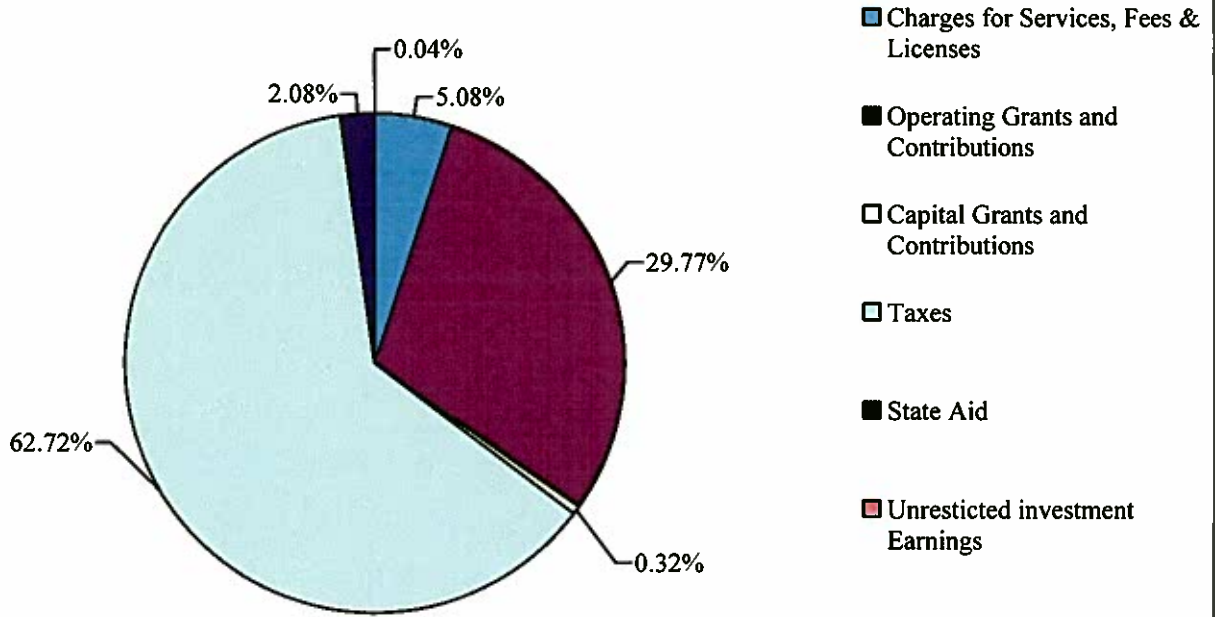
**TOWN OF WEST WARWICK, RHODE ISLAND**  
**Changes in Net Position**

	Governmental Activities			Business-Type Activities		
	2013	2012	Change	2013	2012	Change
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 4,397,189	\$ 4,003,360	\$ 393,829	\$ 7,548,206	\$ 8,517,428	\$ (969,222)
Operating grants and contributions	25,778,506	27,949,848	(2,171,342)	837,425	-	837,425
Capital grants and contributions	273,865	738,061	(464,196)	-	-	-
<b>General revenues</b>						
Property taxes	54,310,102	52,332,518	1,977,584	-	-	-
Unrestricted investment earnings	34,348	15,275	19,073	9,755	12,604	(2,849)
State Aid	1,435,664	2,425,974	(990,310)	-	-	-
Miscellaneous	366,504	124,352	242,152	-	-	-
<b>Total Revenues</b>	<u>86,596,178</u>	<u>87,589,388</u>	<u>(993,210)</u>	<u>8,395,386</u>	<u>8,530,032</u>	<u>(134,646)</u>
<b>Expenses</b>						
General government	12,610,886	23,053,504	(10,442,618)	-	-	-
Public safety	17,269,670	11,688,239	5,581,431	-	-	-
Public works	3,309,699	4,064,851	(755,152)	-	-	-
Education	53,656,059	56,371,076	(2,715,017)	-	-	-
Public assistance, development, recreation, and senior center	3,614,988	1,611,306	2,003,682	-	-	-
Community development	-	-	-	-	-	-
Public libraries	947,933	654,294	293,639	-	-	-
Interest on long-term debt	968,389	1,002,341	(33,952)	-	-	-
Sewer Authority	-	-	-	7,226,098	7,738,891	(512,793)
Municipal Court	-	-	-	172,185	-	172,185
School Lunch Program	-	-	-	1,130,374	232,875	897,499
<b>Total Expenses</b>	<u>92,377,624</u>	<u>98,445,611</u>	<u>(6,067,987)</u>	<u>8,528,657</u>	<u>7,971,766</u>	<u>556,891</u>
Increase (Decrease) in Net Position	(5,781,446)	(10,856,223)	5,074,777	(133,271)	558,266	(691,537)
Transfers	-	10,000	(10,000)	-	(10,000)	10,000
<b>Increase (Decrease) in Net Position</b>	<u>(5,781,446)</u>	<u>(10,846,223)</u>	<u>5,064,777</u>	<u>(133,271)</u>	<u>548,266</u>	<u>(681,537)</u>
<b>Net Positions - beginning</b>	(28,948,911)	(14,796,163)	(14,152,748)	71,181,586	60,134,666	11,046,920
<b>Restatement</b>	-	(3,306,525)	3,306,525	-	10,498,654	(10,498,654)
<b>Net Positions - ending</b>	<u>\$ (34,730,357)</u>	<u>\$ (28,948,911)</u>	<u>\$ (5,781,446)</u>	<u>\$ 71,048,315</u>	<u>\$ 71,181,586</u>	<u>\$ (133,271)</u>

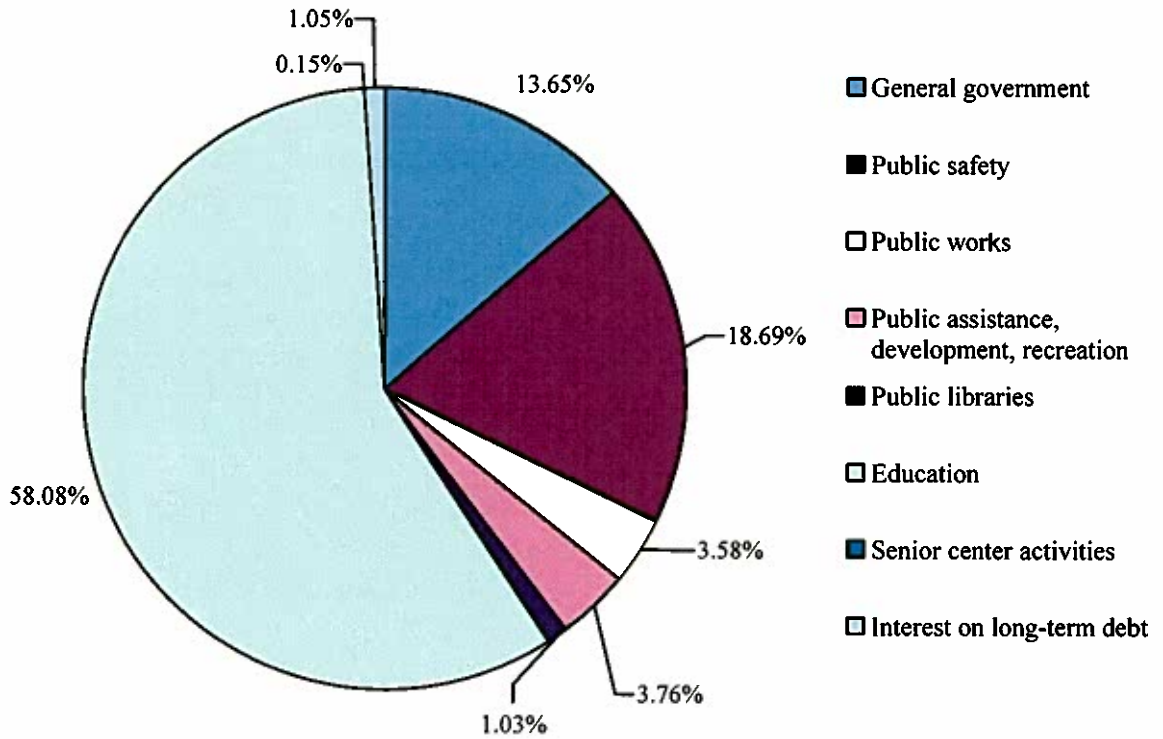
**Note** – In fiscal 2012 the School Lunch Fund was reported as a non-major governmental fund.

**TOWN OF WEST WARWICK, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**  
**(Un-audited)**

Revenue by Source - Governmental Activities



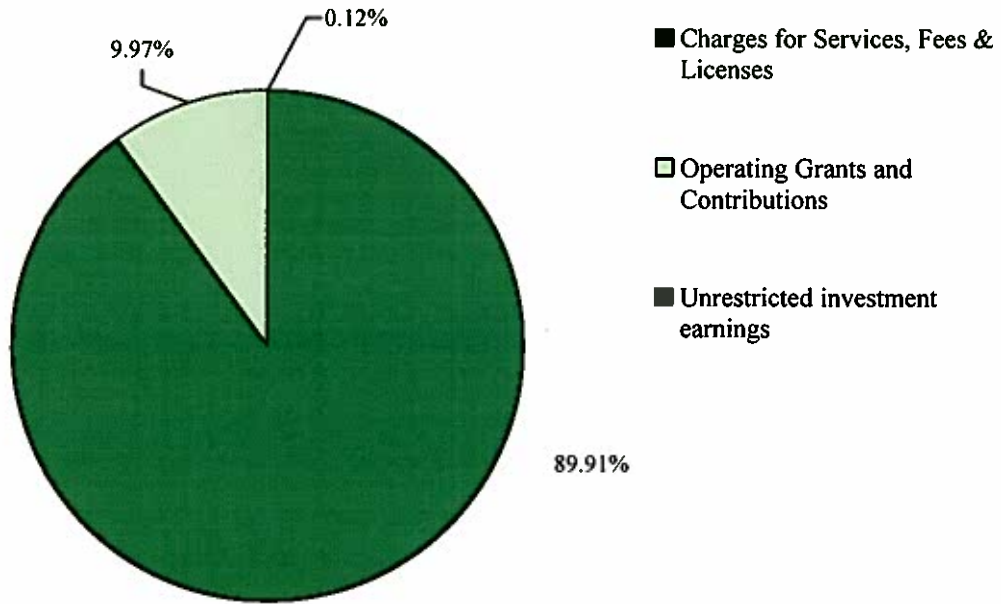
Expenses by Function - Governmental Activities



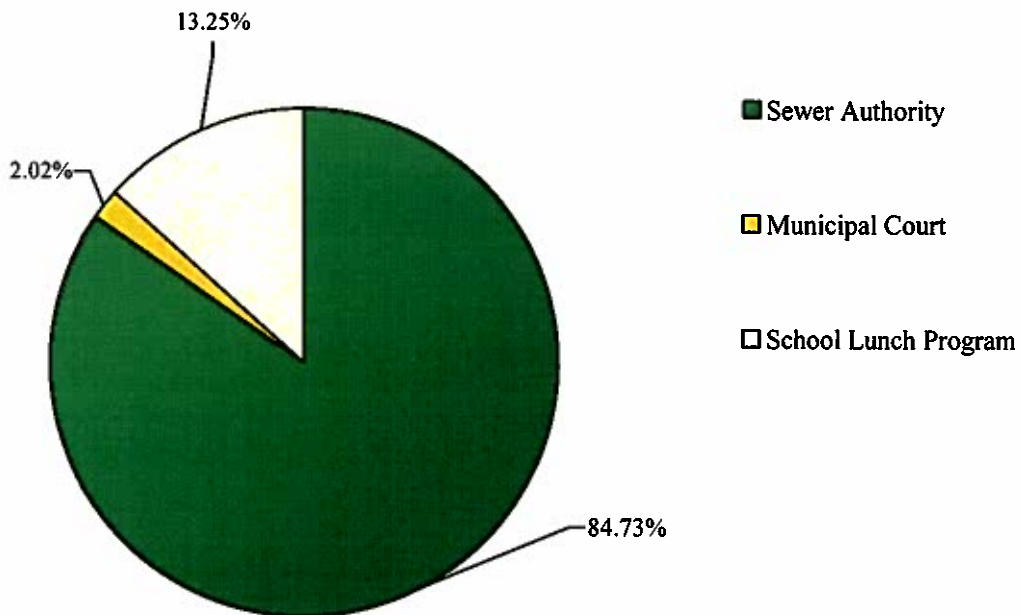


**TOWN OF WEST WARWICK, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**  
**(Un-audited)**

Revenue by Source - Business-type Activities



Expenses by Function - Business-type Activities



**TOWN OF WEST WARWICK, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**  
**(Un-audited)**

**Financial Analysis of the Town of West Warwick's Funds**

**Governmental Funds** -The focus of the Town of West Warwick's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,308,233. Approximately 56.5% of the total amount, or \$4,132,392 constituted unassigned fund balances. The remainder of the fund balance is non-spendable, restricted, and committed specific purposes.

For a more detailed review of changes in fund balances, see the statement of revenues, expenditures and changes in fund balances on Page 19 and Note 7 on Pages 50 through 52.

**Proprietary Funds** -The Town of West Warwick's proprietary fund statements provide the same type of information as presented in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds totaled \$19,577,954 while the net investment in capital assets was \$51,470,361 for a total net position of \$71,048,315. This net position consisted of \$70,105,467 for the Sewer Authority, \$113,138 for the Municipal Court, and \$829,710 for the School Lunch Program.

**General Fund Budgetary Highlights**

For the year ended June 30, 2013, the General Fund revenues before other financing sources were over budget by \$471,528 or .6%. Revenues and other financing sources were under budget projections by \$359,012 or 0.44%. General Fund expenditures and other financing uses were under budget by \$234,059, or 0.29%. This resulted in a \$122,095 budgetary deficit in the General Fund for the year ended June 30, 2013. See details on Pages 67-70.

**Revenues:**

General property taxes - were under budget by \$36,874 due to slight decrease in collection efforts of delinquent taxes during the operating year.

Intergovernmental revenues - were over budget by \$66,348 due to conservative budgeting for state aid revenues based on the Governor's Budget.

Departmental revenues - were over budget by \$461,316 due to an unanticipated increase in building permit fees and clerk revenues collected.

Other funding sources - were under budget by \$830,540 due to the fund balance transfers that were anticipated but not required due to the related expenditure not being incurred during the fiscal year.

**Expenditures:**

Public Safety - was over budget by \$46,556 due to covering long-term vacancies.

Public Works - was under budget by \$97,066 due to unfilled positions.

Town Miscellaneous - was over budget by \$548,378 due to primarily to unexpected operating costs and excess health insurance claims.

Municipal Capital Improvements - was under budget by \$777,715 due to project time constraints.

**TOWN OF WEST WARWICK, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**  
**(Un-audited)**

**The Town of West Warwick's Capital Assets**

The Town of West Warwick's investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounts to \$120,881,320 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, plant facilities, infrastructure, extensions and mains, and construction in progress.

**TOWN OF WEST WARWICK, RHODE ISLAND**  
**Capital Assets (Net of Accumulated Depreciation) (in 000's)**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	(Restated)		2013	2012
			2013	2012		
Land	\$ 6,100	\$ 6,100	\$ 355	\$ 355	\$ 6,455	\$ 6,455
Construction in progress	231	208			231	208
Buildings and improvements	20,157	20,784			20,157	20,784
Equipment	188	414			188	414
Office furniture and fixtures	686	689			686	689
Vehicles	1,302	1,261	45		1,347	1,261
Infrastructure	17,432	18,567			17,432	18,567
Cafeteria Equipment	-	-	206	113	206	113
Plant facilities and equipment	-	-	49,350	50,500	49,350	50,500
Extensions and mains	-	-	24,829	25,417	24,829	25,417
<b>Net Capital Assets</b>	<b>\$ 46,096</b>	<b>\$ 48,023</b>	<b>\$ 74,785</b>	<b>\$ 76,385</b>	<b>\$ 120,881</b>	<b>\$ 124,408</b>

Additional information on the Town of West Warwick's capital assets is located in Note 5 of the notes to the financial statements on Pages 46-47.

**The Town of West Warwick's Debt Administration**

At the end of the current fiscal year, the Town of West Warwick's Governmental Activities had a total bonded debt of \$22,188,000. Of this amount, 100% comprises bonded debt backed by the full faith and credit of the government. The following is a summary of the Town's long-term debt.

**TOWN OF WEST WARWICK, RHODE ISLAND**  
**Bonds, Notes, and Lease Purchase Obligations (in 000's)**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 22,188	\$ 23,818			\$ 22,188	\$ 23,818
Lease Purchase Obligations	181	238			181	238
General Revenue Notes	-	-	\$ 21,112	\$ 22,828	21,112	22,828
<b>Totals</b>	<b>\$ 22,369</b>	<b>\$ 24,056</b>	<b>\$ 21,112</b>	<b>\$ 22,828</b>	<b>\$ 43,481</b>	<b>\$ 46,884</b>

Note 6, Pages 47-50 provide additional information on the Town's long-term debt obligations.

**TOWN OF WEST WARWICK, RHODE ISLAND**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**  
**(Un-audited)**

The Town's general obligation bond rating as assigned by Moody's Investors Service in 2012 is Baa2 and while Fitch Rating Service is BBB-. The State of Rhode Island imposes a limit of 3 percent of the fair value of all taxable Town property on the general obligation debt that a municipality can issue. The Town of West Warwick's limit is approximately \$66,996,100 at year-end. The Town's outstanding general obligation debt is \$22,188,000 at year-end, of which none is subject to the legal debt margin.

**Economic Factors, Next Year's Budgets and Rates, and Other Important Developments**

The Town of West Warwick's total General Fund budget for fiscal year 2014 amounts to \$83,046,288 which reflects an increase of \$3,406,901 or 4.28% above the fiscal year 2013 budget of \$79,639,387. Of the Town's 2014 budget, 61% is budgeted for education expenditures and 39% is budgeted for general government. The State of Rhode Island is budgeted to contribute \$19,384,500 to the Town's education department based on State Aid in fiscal 2014.

The Town's tax rate for fiscal year 2014 is \$24.67 per \$1,000 of assessed value with 39% allocated for general government and 61% allocated for education. For fiscal year 2013 the Town's tax rate was \$21.40 per \$1,000 of assessed value with 41% allocated for general government and 59% allocated for education.

During fiscal 2014, Management, working in conjunction with the State of Rhode Island Department of Revenue, in an unofficial capacity, developed a Five Year Budget Plan and Pension Funding Improvement Plan (FIP) based on successfully negotiated concessions from its labor groups and retirees, as well as voter approved tax increases. The Five Year Budget Plan, FIP, Five Year Union Contracts, and an agreement with the retirees were all approved and adopted by the Town Council.

The Town has also made broad changes to its health plans and negotiated higher employee and future retiree contributions. The pension and health care reforms were part of the Town's plan to reduce its long-term liabilities and achieve full funding of the annual required contribution (ARC) for its' Town administered pension plan. The Town plan was only 17% funded as of July 1, 2013 and had an unfunded liability of \$128 million. The agreed upon reforms, including suspension of cost-of-living adjustments (COLAs) for the next five fiscal years, resulted in a reduction of the ARC from \$10.7 million to \$8 million for fiscal 2015 and lowered the future annual rate of growth in the ARC. The reduction will allow the Town to achieve 100% funding of the ARC commencing in Fiscal 2015. Additionally, an increase in the Town's annual funding of other post-employment benefit (OPEB) costs above pay-as-you-go is expected for Fiscal 2016 and future years as part of the Five Year Budget Plan. The pension and OPEB changes were part of five-year employment contracts with its labor groups, effective July 1, 2014. Employees agreed to no salary increases over this period, with wage re-opener clauses in years four and five in the event the Town meets certain financial improvement thresholds.

On June 10, 2014, Fitch Ratings affirmed the Town's BBB- rating and removed the Town's GO rating from Rating Watch Negative and assigned a Stable Rating Outlook. In their words, "Management was recently successful in achieving substantial employee and retiree concessions to rein in increasing long-term retiree costs. Voters approved the changes along with the Town's fiscal 2015 budget last month."

At the time when this document was prepared, Moody's Rating for the Town is Baa2 with a negative outlook. A call with Moody's took place on June 11, 2014, which is expected to result in a similar action as Fitch, but the outcome of that call will not be known until after the publication of this document.

**Request for Information**

The financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Town's finances and to show the Town's accountability for the tax dollars received. If you have questions about this report or need additional financial information, contact the Finance Director's Office, Town of West Warwick, 1170 Main Street, West Warwick, RI 02893.

John T. Cimino  
Interim Finance Director

# **TOWN OF WEST WARWICK**

## **BASIC FINANCIAL STATEMENTS**



TOWN OF WEST WARWICK, RHODE ISLANDStatement of Net Position  
June 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 10,753,461	\$ 5,572,877	\$ 16,326,338
Investments	1,781,250	-	1,781,250
Accounts receivable, net	2,852,063	1,760,963	4,613,026
Internal balances	(2,036,903)	2,036,903	-
Due from federal and state governments	1,703,714	58,187	1,761,901
Prepays	259,710	3,864	263,574
<b>Total Current Assets</b>	<b>15,313,295</b>	<b>9,432,794</b>	<b>24,746,089</b>
<b>Noncurrent Assets:</b>			
Assessments and fees receivable	-	3,100,342	3,100,342
Municipal debt service assessments receivable	-	5,599,372	5,599,372
Capital assets not being depreciated	6,331,425	354,500	6,685,925
Capital assets, net of accumulated depreciation	39,764,784	74,430,611	114,195,395
<b>Total Noncurrent Assets</b>	<b>46,096,209</b>	<b>83,484,825</b>	<b>129,581,034</b>
<b>TOTAL ASSETS</b>	<b>61,409,504</b>	<b>92,917,619</b>	<b>154,327,123</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued expenses	5,695,257	310,433	6,005,690
Due to federal and state governments	58,000	-	58,000
Unearned revenue	63,351	24,783	88,134
Current portion of compensated absences	500,000	41,000	541,000
Current portion of bonds	1,593,374	1,726,000	3,319,374
<b>Total Current Liabilities</b>	<b>7,909,982</b>	<b>2,102,216</b>	<b>10,012,198</b>
<b>Noncurrent Liabilities:</b>			
Compensated absences	5,418,000	100,000	5,518,000
Net pension and OPEB obligations	61,808,847	281,088	62,089,935
General obligation bonds, net	21,003,032	19,386,000	40,389,032
<b>Total Noncurrent Liabilities</b>	<b>88,229,879</b>	<b>19,767,088</b>	<b>107,996,967</b>
<b>TOTAL LIABILITIES</b>	<b>96,139,861</b>	<b>21,869,304</b>	<b>118,009,165</b>
<b>NET POSITION:</b>			
Net investment in capital assets	23,499,803	51,470,361	74,970,164
Unrestricted	(58,230,160)	19,577,954	(38,652,206)
<b>TOTAL NET POSITION</b>	<b>\$ (34,730,357)</b>	<b>\$ 71,048,315</b>	<b>\$ 36,317,958</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

## TOWN OF WEST WARWICK, RHODE ISLAND

Statement of Activities  
For the Year Ended June 30, 2013

<i>Functions/Programs:</i>	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for	Operating	Capital	Governmental Activities	Business-type Activities	Total
		Services, Fees & Licenses	Grants and Contributions	Grants and Contributions			
<b>Governmental activities:</b>							
General government	\$ 12,610,885	\$ 2,091,281	\$ 4,500	\$ -	\$ (10,515,104)		\$ (10,515,104)
Public safety	17,269,670	1,425,002	25,554	-	(15,819,114)		(15,819,114)
Public works	3,309,699	36,152	7,619	103,214	(3,162,714)		(3,162,714)
Public assistance, development, recreation	3,471,988	43,342	284,809	44,172	(3,099,665)		(3,099,665)
Public libraries	947,933	20,455	81,481	70,401	(775,596)		(775,596)
Education	53,656,059	745,731	24,289,298	56,078	(28,564,952)		(28,564,952)
Senior center activities	143,000				(143,000)		(143,000)
Interest on long-term debt	968,389	35,225	1,085,245	-	152,081		152,081
<b>Total governmental activities</b>	<b>92,377,623</b>	<b>4,397,188</b>	<b>25,778,506</b>	<b>273,865</b>	<b>(61,928,064)</b>		<b>(61,928,064)</b>
<b>Business-type activities:</b>							
Sewer Authority	7,226,098	6,987,786				\$ (238,312)	(238,312)
Municipal Court	172,185	213,674				41,489	41,489
School Lunch Program	1,130,374	362,420	821,751			53,797	53,797
<b>Total business-type activities</b>	<b>8,528,657</b>	<b>7,563,880</b>	<b>821,751</b>	<b>-</b>	<b>-</b>	<b>(143,026)</b>	<b>(143,026)</b>
<b>Total</b>	<b>\$ 100,906,280</b>	<b>\$ 11,961,068</b>	<b>\$ 26,600,257</b>	<b>\$ 273,865</b>	<b>(61,928,064)</b>	<b>(143,026)</b>	<b>(62,071,090)</b>
<b>General revenues:</b>							
Property taxes					54,310,102		54,310,102
Motor vehicle phase-out taxes					213,265		213,265
Utilities taxes					366,504		366,504
State Aid to distressed communities					817,916		817,916
Hotel, meals, and beverage tax					404,483		404,483
Unrestricted investment earnings					34,348	9,755	44,103
<b>Total general revenues and transfers</b>					<b>56,146,618</b>	<b>9,755</b>	<b>56,156,373</b>
<b>Change in Net Position</b>					<b>(5,781,446)</b>	<b>(133,271)</b>	<b>(5,914,717)</b>
<b>Net Position - beginning of year (As Restated)</b>					<b>(28,948,911)</b>	<b>71,181,586</b>	<b>42,232,675</b>
<b>Net Position - ending of year</b>					<b>\$ (34,730,357)</b>	<b>\$ 71,048,315</b>	<b>\$ 36,317,958</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF WEST WARWICK, RHODE ISLAND**

**EXHIBIT B-1**

**Balance Sheet  
Governmental Funds  
June 30, 2013**

	General Fund	School Unrestricted Fund	Debt Service Fund	NonMajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 10,192,034	\$ 200	\$ 994	\$ 560,233	\$ 10,753,461
Investments	-	-	1,440,001	341,249	1,781,250
Taxes receivable, net	2,566,832	-	-	-	2,566,832
Other receivables, net	256,068	15,390	-	13,773	285,231
Due from federal and state governments	366,504	150,270	-	1,186,940	1,703,714
Prepaid expenditures	259,710	-	-	-	259,710
Due from other funds	420,394	2,736,513	-	679,197	3,836,104
<b>TOTAL ASSETS</b>	<b>\$ 14,061,542</b>	<b>\$ 2,902,373</b>	<b>\$ 1,440,995</b>	<b>\$ 2,781,392</b>	<b>\$ 21,186,302</b>
<b>LIABILITIES:</b>					
Accounts payable and accrued expenses	\$ 2,986,256	\$ 812,414	-	\$ 35,373	\$ 3,834,043
Cash overdraft	-	1,657,190	-	-	1,657,190
Due to federal & state governments	-	-	-	58,000	58,000
Due to other funds	4,131,779	430,687	-	1,310,541	5,873,007
Unearned revenues	2,275	-	-	61,076	63,351
<b>TOTAL LIABILITIES</b>	<b>7,120,310</b>	<b>2,900,291</b>	<b>\$ -</b>	<b>1,464,990</b>	<b>11,485,591</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unearned tax and EMS revenue	2,392,478	-	-	-	2,392,478
<b>FUND BALANCES:</b>					
Non-Spendable	259,710	-	-	-	259,710
Restricted	-	-	1,440,995	759,052	2,200,047
Committed	52,742	2,082	-	661,260	716,084
Unassigned	4,236,302	-	-	(103,910)	4,132,392
<b>TOTAL FUND BALANCES</b>	<b>4,548,754</b>	<b>2,082</b>	<b>1,440,995</b>	<b>1,316,402</b>	<b>7,308,233</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 14,061,542</b>	<b>\$ 2,902,373</b>	<b>\$ 1,440,995</b>	<b>\$ 2,781,392</b>	<b>\$ 21,186,302</b>

(CONTINUED)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



TOWN OF WEST WARWICK, RHODE ISLAND

*Balance Sheet  
Governmental Funds  
June 30, 2013*

*Amounts reported for governmental activities in the Statement of Net Position are different because of the following:*

<i>Total Fund Balance reported in Exhibit B-1</i>	\$ 7,308,233
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the Governmental Fund Balance Sheet.	46,096,209
Net OPEB Obligation and Net Pension Obligations are reported on the Statement of Net Position as a long-term obligation at June 30, 2013 but these obligations are not reported on the Fund Statements.	(61,808,847)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the Statement of Net Position - debt and compensated absences.	(28,287,250)
Unearned tax revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not recorded under the measurement focus employed in the Statement of Net Position.	2,392,478
Internal Service Funds are recorded as Proprietary Funds in the Fund Statements but are recorded as Governmental Activities on the Government-Wide Statement of Net Position.	75,576
Interest accrued on long-term debt obligations is reported as a liability in the Statement of Net Position but does not get reported in the Fund Statements.	(279,600)
Net premium on refunding has been recorded as a long-term obligation on the Statement of Net Position while the amount does not get reported on the Fund Statements.	<u>(227,156)</u>
<i>Total Net Position reported in Exhibit A-1</i>	<u>\$ (34,730,357)</u>

(CONCLUDED)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

## TOWN OF WEST WARWICK, RHODE ISLAND

*Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2013*

	General Fund	School Unrestricted Fund	Debt Service Fund	NonMajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$ 54,103,803				\$ 54,103,803
Intergovernmental	2,887,413	\$ 19,752,356		\$ 3,240,316	25,880,085
Licenses, fees, fines, charges, and assessments	2,851,659	-		731,465	3,583,124
Medicaid	-	526,938		-	526,938
Investment income (loss)	10,738	-	\$ 35,225	23,610	69,573
Contributions and grants	-	-		138,578	138,578
State on behalf pension contribution	-	1,835,856		-	1,835,856
Other miscellaneous	128,807	143,817		6,297	278,921
<b>TOTAL REVENUES</b>	<b>59,982,420</b>	<b>22,258,967</b>	<b>35,225</b>	<b>4,140,266</b>	<b>86,416,878</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
General government	10,189,148				10,189,148
Public Safety	11,622,787			397,778	12,020,565
Public Services	3,077,138			107,507	3,184,645
Library	636,418			270,666	907,084
Education	-	49,708,699		2,625,923	52,334,622
Senior Center	143,000			-	143,000
Public assistance, development, & recreation	3,005,298			345,910	3,351,208
<b>Debt Service</b>	<b>2,665,041</b>			<b>-</b>	<b>2,665,041</b>
<b>Capital Outlays</b>	<b>297,684</b>			<b>201,498</b>	<b>499,182</b>
<b>TOTAL EXPENDITURES</b>	<b>31,636,514</b>	<b>49,708,699</b>	<b>-</b>	<b>3,949,282</b>	<b>85,294,495</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>28,345,906</b>	<b>(27,449,732)</b>	<b>35,225</b>	<b>190,984</b>	<b>1,122,383</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	29,120,000	155,674		29,275,674
Transfers out	(29,255,674)	-	-	(20,000)	(29,275,674)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(29,255,674)</b>	<b>29,120,000</b>	<b>155,674</b>	<b>(20,000)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(909,768)</b>	<b>1,670,268</b>	<b>190,899</b>	<b>170,984</b>	<b>1,122,383</b>
<b>FUND BALANCE BEGINNING OF YEAR (As Restated)</b>	<b>5,458,522</b>	<b>(1,668,186)</b>	<b>1,250,096</b>	<b>1,145,418</b>	<b>6,185,850</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 4,548,754</b>	<b>\$ 2,082</b>	<b>\$ 1,440,995</b>	<b>\$ 1,316,402</b>	<b>\$ 7,308,233</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF WEST WARWICK, RHODE ISLAND

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds (Exhibit B-2) to the Statement of Activities (Exhibit A-2)  
Year Ended June 30, 2013**

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<b>Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):</b>	<b>\$ 1,122,383</b>
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital expenditures in the current period.	(1,927,249)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net position.	1,686,421
Increase in the Net OPEB Obligation is reported as an expense for governmental activities but is not reported as an expenditure in the fund financial statements until it is paid with measurable and available resources. This is the increase in the Net OPEB Obligation for fiscal 2013.	(2,175,070)
Increase in the Net Pension Obligation is reported as an expense for governmental activities but is not reported as an expenditure in the fund financial statements until it is paid with measurable and available resources. This is the increase in the Net Pension Obligation for fiscal 2013.	(4,671,603)
Governmental funds report premiums received on debt financing as other financing sources when received. However, the Statement of Activities amortizes these premiums over the life of the obligations and records the amortization as a credit to expenses. This is the amortization amount for fiscal 2013.	16,440
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds. Net unearned tax revenue increased from fiscal 2012.	206,299
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds. Net unearned EMS Rescue revenue decreased from fiscal 2012.	(27,000)
Accrued interest on long-term debt obligations is reported in the governmental activities but is not reported in the government fund statements. This is the increase in accrued interest expense from fiscal 2012.	(6,209)
Increase in compensated absences. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net position. Increase in compensated absences.	(81,434)
The activity reported in the Internal Service Fund is presented with the Proprietary Fund Statements. However, this activity is reported as a component of the Governmental Activities in the Statement of Activities. This is the net activity reported for fiscal 2013.	<u>75,576</u>
<b>Change in Net Position of Governmental Activities in the Statement of Activities (Exhibit A-2)</b>	<b><u>\$ (5,781,446)</u></b>

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THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

## TOWN OF WEST WARWICK, RHODE ISLAND

Statement of Net Position  
Proprietary Funds  
June 30, 2013

	Business-type Activities-Enterprise Funds				
	Sewer Authority	Municipal Court	School Lunch Program	Totals	Internal Service Fund
<b>ASSETS:</b>					
<i>Current Assets:</i>					
Cash and cash equivalents	\$ 5,315,035		\$ 257,842	\$ 5,572,877	
Assessments and fees receivable, net	1,167,733	\$ 25,793	4,019	1,197,545	\$ 969,044
Municipal debt service assessments receivable	563,418			563,418	
Due from federal and state governments	-		58,187	58,187	
Due from other funds	1,572,711	95,045	369,147	2,036,903	
Prepays	3,864	-	-	3,864	
<b>Total Current Assets</b>	<b>8,622,761</b>	<b>120,838</b>	<b>689,195</b>	<b>9,432,794</b>	<b>969,044</b>
<i>Noncurrent Assets:</i>					
Assessments and fees receivable, net	3,100,342	-	-	3,100,342	
Municipal debt service assessments receivable	5,599,372	-	-	5,599,372	
Capital assets not being depreciated	354,500	-	-	354,500	
Capital assets, net of accumulated depreciation	74,178,886	-	251,725	74,430,611	
<b>Total Noncurrent Assets</b>	<b>83,233,100</b>	<b>-</b>	<b>251,725</b>	<b>83,484,825</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>91,855,861</b>	<b>120,838</b>	<b>940,920</b>	<b>92,917,619</b>	<b>969,044</b>
<b>LIABILITIES:</b>					
<i>Current Liabilities:</i>					
Accounts payable and accrued expenses	198,091	7,700	104,642	310,433	893,468
Unearned revenue	18,215	-	6,568	24,783	
Current portion of compensated absences	41,000	-	-	41,000	
Current portion of bonds	1,728,000	-	-	1,728,000	
<b>Total Current Liabilities</b>	<b>1,983,306</b>	<b>7,700</b>	<b>111,210</b>	<b>2,102,216</b>	<b>893,468</b>
<i>Noncurrent Liabilities:</i>					
General obligation bonds, net of current portion	19,386,000	-	-	19,386,000	
Net OPEB Obligation	281,088	-	-	281,088	
Compensated absences	100,000	-	-	100,000	
<b>Total Noncurrent Liabilities</b>	<b>19,767,088</b>	<b>-</b>	<b>-</b>	<b>19,767,088</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>21,750,394</b>	<b>7,700</b>	<b>111,210</b>	<b>21,869,304</b>	<b>893,468</b>
<b>NET POSITION:</b>					
Net investment in capital assets	51,218,636	-	251,725	51,470,361	
Unrestricted	18,886,831	113,138	577,985	19,577,954	75,576
<b>TOTAL NET POSITION</b>	<b>\$ 70,105,467</b>	<b>\$ 113,138</b>	<b>\$ 829,710</b>	<b>\$ 71,048,315</b>	<b>\$ 75,576</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF WEST WARWICK, RHODE ISLAND

*Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2013*

	Business-type Activities-Enterprise Funds				
	Sewer Authority	Municipal Court	School Lunch Program	Totals	Internal Service Fund
<b>OPERATING REVENUES:</b>					
Charges for usage, service, and assessments	\$ 6,986,371	\$ 213,674	\$ -	\$ 7,200,045	\$ 11,895,576
Food sales	-	-	346,746	346,746	-
Intergovernmental	-	-	837,425	837,425	-
Other revenues	1,415	-	-	1,415	-
<b>Total Operating Revenues</b>	<b>6,987,786</b>	<b>213,674</b>	<b>1,184,171</b>	<b>8,385,631</b>	<b>11,895,576</b>
<b>OPERATING EXPENSES:</b>					
Salaries and benefits	2,309,646	86,939	-	2,396,585	11,564,478
Other operating expenses	2,507,978	83,706	1,083,639	3,675,323	255,522
Depreciation and amortization	1,772,529	-	31,338	1,803,867	-
Materials, supplies, repairs and maintenance	427,529	1,540	15,397	444,466	-
<b>Total Operating Expenses</b>	<b>7,017,682</b>	<b>172,185</b>	<b>1,130,374</b>	<b>8,320,241</b>	<b>11,820,000</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(29,896)</b>	<b>41,489</b>	<b>53,797</b>	<b>65,390</b>	<b>75,576</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest income	9,755	-	-	9,755	-
Interest expense	(208,416)	-	-	(208,416)	-
<b>Net Nonoperating Revenues</b>	<b>(198,661)</b>	<b>-</b>	<b>-</b>	<b>(198,661)</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<b>(228,557)</b>	<b>41,489</b>	<b>53,797</b>	<b>(133,271)</b>	<b>75,576</b>
Transfers (Out)	-	-	-	-	-
<b>CHANGE IN NET POSITION</b>	<b>(228,557)</b>	<b>41,489</b>	<b>53,797</b>	<b>(133,271)</b>	<b>75,576</b>
<b>TOTAL NET POSITION - BEGINNING (As Restated)</b>	<b>70,334,024</b>	<b>71,649</b>	<b>775,913</b>	<b>71,181,586</b>	<b>-</b>
<b>TOTAL NET POSITION - ENDING</b>	<b>\$ 70,105,467</b>	<b>\$ 113,138</b>	<b>\$ 829,710</b>	<b>\$ 71,048,315</b>	<b>\$ 75,576</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

## TOWN OF WEST WARWICK, RHODE ISLAND

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2013

	Business-type Activities- Enterprise Funds				
	Sewer Authority	Municipal Court	School Lunch Program	Totals	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers for services provided	\$ 7,319,370	\$ 187,881	\$ 1,180,930	\$ 8,688,181	\$ 11,940,593
Cash paid to suppliers for goods and services and other operating payments	(3,042,677)	(84,677)	(1,063,522)	(4,190,876)	(255,522)
Cash paid for employees and benefits	(2,305,968)	(88,999)	-	(2,394,967)	(11,685,071)
<i>Net cash provided by operating activities</i>	<u>1,970,725</u>	<u>14,205</u>	<u>117,408</u>	<u>2,102,338</u>	<u>-</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Increase in due from other funds	(68,179)	(14,205)	(66,486)	(148,870)	-
<i>Net cash used by noncapital financing activities</i>	<u>(68,179)</u>	<u>(14,205)</u>	<u>(66,486)</u>	<u>(148,870)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of capital assets	(34,451)	-	(170,075)	(204,526)	-
Principal paid on bonds	(1,716,000)	-	-	(1,716,000)	-
Interest paid on bonds	(152,094)	-	-	(152,094)	-
<i>Net cash used for capital and related financing activities</i>	<u>(1,902,545)</u>	<u>-</u>	<u>(170,075)</u>	<u>(2,072,620)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income	9,755	-	-	9,755	-
<i>Net cash provided by investing activities</i>	<u>9,755</u>	<u>-</u>	<u>-</u>	<u>9,755</u>	<u>-</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2013**

	Business-type Activities- Enterprise Funds				
	Sewer Authority	Water Supply Board	School Lunch Program	Totals	Internal Service Fund
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	9,756	-	(119,153)	(109,397)	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	5,305,279	-	376,995	5,682,274	-
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 5,315,035</b>	<b>\$ -</b>	<b>\$ 257,842</b>	<b>\$ 5,572,877</b>	<b>\$ -</b>
<b>Reconciliation of operating income (loss) to net cash provided (used ) by operating activities:</b>					
Operating income (loss)	\$ (29,896)	\$ 41,489	\$ 53,797	\$ 65,390	\$ 75,576
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization expense	1,772,529	-	31,338	1,803,867	-
Change in:					
Assessments and fees receivable	(155,311)	(25,793)	(4,019)	(185,123)	45,017
Municipal debt service assessments receivable	468,680	-	-	468,680	-
Due from Federal and State Governments	-	-	(5,790)	(5,790)	-
Prepaid expenses	(3,864)	-	-	(3,864)	-
Accounts payable and accrued expenses	(103,505)	(1,491)	35,514	(69,482)	(120,593)
Unearned revenue	18,215	-	6,568	24,783	-
Compensated absences	(40,643)	-	-	(40,643)	-
Net OPEB Obligation	44,520	-	-	44,520	-
<b>Net cash provided by operating activities</b>	<b>\$ 1,970,725</b>	<b>\$ 14,205</b>	<b>\$ 117,408</b>	<b>\$ 2,102,338</b>	<b>\$ -</b>

(CONCLUDED)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF WEST WARWICK, RHODE ISLAND

**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2013**

	Employee Retirement Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 15,811	\$ 121,343
Other receivables	871,266	
<i>Investments, at fair value:</i>		
Money market funds	1,100,823	
U.S. Securities	3,221,133	
Municipal bonds	272,405	
Corporate and foreign bonds	1,665,830	
Equity mutual funds	13,150,647	
Fixed income mutual funds	5,474,009	
Common and collective mutual funds	1,624,947	
<b>TOTAL ASSETS</b>	<b>27,396,871</b>	<b>121,343</b>
<b>LIABILITIES</b>		
Deposits held in custody for others		121,343
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>121,343</b>
<b>NET POSITION</b>		
Funds held in trust	<b>\$ 27,396,871</b>	<b>\$ -</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



TOWN OF WEST WARWICK, RHODE ISLAND

Statement of Changes in Fiduciary Net Position  
 Fiduciary Funds  
 For the year ended June 30, 2013

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	Employee Retirement Trust Fund
<b>ADDITIONS:</b>	
Contributions	
Employee contributions	\$ 1,299,046
Employer contributions	3,751,619
Total contributions	<u>5,050,665</u>
<b>Investment earnings:</b>	
Realized and unrealized gains (losses) on investments	2,068,077
Interest and dividends	719,322
Total investment earnings	<u>2,787,399</u>
<b>Total additions</b>	<u>7,838,064</u>
<b>DEDUCTIONS:</b>	
Benefits paid	9,129,786
Investment management fees	61,598
Professional fees	36,763
Other operating expenses	115,293
<b>TOTAL DEDUCTIONS</b>	<u>9,343,440</u>
<b>CHANGE IN NET ASSETS</b>	(1,505,376)
<b>NET POSITION - BEGINNING OF YEAR (As Restated)</b>	28,902,247
<b>NET POSITION - END OF YEAR</b>	<u>\$ 27,396,871</u>

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THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town complies with generally accepted accounting principles (GAAP) except for the reporting of capital assets as noted in the auditors' report and Note 5. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

***Reporting Entity***

The Town of West Warwick was founded in 1913 and celebrated its centennial anniversary during the fiscal year ended June 30, 2013. The Town is governed largely under the Home Rule Charter approved by the electorate on November 4, 1986 and effective December 5, 1988. In some matters, including the issuance of short and long-term debt, the General Laws of the State of Rhode Island govern the Town. On February 8, 1994 a special election was held and the Town's people voted to change the form of Town government from a Mayor to a Town Council/Town Manager form of government. The Town provides the following services as authorized by its charter: Public Safety (police, fire, traffic safety, inspections, zoning and building), Public Works (sanitation, highways and streets, engineering and building maintenance), Parks and Recreation, Education, Social Services, and General Administrative Services.

This report includes all of the Funds of the Town of West Warwick. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 61. Under GASB Statement No. 61, a legally separate entity is required to be included as a component unit if it is fiscally dependent upon the primary government and there is a financial benefit or burden relationship present. The primary government is financially accountable if it appoints the voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A potential component unit has a financial benefit or burden relationship with the primary government if, for example, any one of the following conditions exists:

- a. The primary government is legally entitled to or can otherwise access the organization's resources.
- b. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- c. The primary government is obligated in some manner for the debt of the organization.

The following entities were considered for classification as component units for fiscal year 2013.

- West Warwick Housing Authority
- West Warwick Senior Center

The entities noted above did not meet the criteria to be reported as component units and as such are omitted from these financial statements.

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Presentation***

***Government-Wide Financial Statements***

The Statement of Net Position and Statement of Activities report information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements. A fund is considered a major fund if it is the primary operating fund of the Town or meets the following criteria:

- (a) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type,

and

- (b) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

***Governmental Funds***

**General Fund**

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are committed or restricted to expenditures for specific purposes other than debt service or capital projects.

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Governmental Funds (Continued)***

**Capital Project Funds**

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**Permanent Funds**

The Permanent Funds account for assets held by the Town pursuant to trust agreements. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund. The Town did not maintain any Permanent Funds during fiscal 2013.

**Proprietary Funds**

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Proprietary Funds include Enterprise and Internal Service Funds. The Town currently maintains three Enterprise Funds and one Internal Service Fund. The Internal Service Fund is used to account for the operations and activity of the Town's medical plan for employees and retirees. The costs of the benefits are allocated to the various Town departments, including the School Department.

**Fiduciary Funds (Not included in Government-Wide statements)**

**Agency Funds**

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes seven agency funds (all of which are Student Activity Funds) at June 30, 2013. Since Agency Funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

**Pension Trust Funds**

Pension Trust Funds are used to account for resources legally held in trust for use for payment of pension benefits, and cannot be used at the Town's discretion or to support the Town's general operations. The reporting entity has one such trust fund, Employee Retirement Plan. The Pension Committee oversees this Fund.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Major and Non-Major Funds**

The funds are further classified as major or non-major as follows:

<u>Fund</u>	<u>Brief Description</u>
<b>Major:</b>	
General Fund:	See above for description
<b>Special Revenue Funds:</b>	
School Unrestricted Fund	This fund is used to report all financial transactions of the West Warwick School Department, which are not legally required to be accounted for separately.
Debt Service Fund	This fund is used to report the annual principal payments made on the Town's Qualified Zone Academy Bonds (QZAB) debt obligation. These payments will remain held in escrow until the future maturity of the debt obligation. The fund balance is deemed legally restricted for future retirement of the bond. <b>This Fund does not meet the definition of a Major Fund; however management has elected to treat it as a major fund due to the nature of the Fund Balance restriction.</b>
<b>Proprietary Funds:</b>	
Sewer Authority	Accounts for the overseeing of the sewer operations of the Town of West Warwick which also includes services provided to some of the surrounding communities.
Municipal Court	Accounts for the activity and operations of the Town's court system which deals with fees, fines and other assessments initiated by the Public Safety Departments. <b>This fund did not meet the criteria for reporting as a Major Fund however, management elected to present as such.</b>
School Cafeteria	Accounts for the operations of the school breakfast and lunch program of the West Warwick School Department. <b>This fund did not meet the criteria for reporting as a major fund however, management elected to present it as such.</b>

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Major and Non-Major Funds (Continued)**

<u>Fund</u>	<u>Brief Description</u>
<b>Non-Major:</b>	
Special Revenue Funds:	The Town of West Warwick maintains fifty (50) Special Revenue Funds which have been classified as Non-Major Governmental Funds. These fifty (50) Funds include twenty-two (22) maintained by the Town and twenty-eight (28) maintained by the School Department. The details of these Funds may be found in the combining fund exhibits in the other supplementary information section of these statements.
Capital Project Funds:	The Town currently maintains four (4) Capital Project Funds. The details of these Funds may be found in the combining fund exhibits in the other supplementary information section of these statements.

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below and the accrual basis of accounting.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- (a) All governmental funds utilize a "current financial resources" measurement focus and the modified accrual basis of accounting. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The Town considers property taxes as available if they are collected within 60 days after year end. Grant revenue (for expenditure reimbursement grants) of the governmental funds is generally recognized as revenue when earned as long as the payment is expected to be received within twelve months after year end. Substantially all other revenue of the governmental funds is recognized utilizing the modified accrual method of accounting and as such is recognized as revenue when received.

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Measurement Focus (Continued)***

- (b) The proprietary funds and private purpose trust funds utilize "economic resources" measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources associated with their activities are reported. Fund equity is classified as net position.
  
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

***Basis of Accounting***

In the Government-Wide Statement of Net Position and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds, agency funds, and private purpose trust funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Amounts reported as program revenues include charges to customers or applicants for licenses, fees, goods, services or privileges provided, operating grants and contributions, and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal operation. The principal operating revenues of the enterprise funds are charges for services provided in accordance with the fund's purpose. Operating expenses for the enterprise funds include the costs of providing the services, including administration and depreciation on capital assets. All other revenue and expense items not meeting these criteria are reported as nonoperating revenues and expenses.

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance***

**Cash**

Cash and cash equivalents are carried at cost. Cash equivalents include all amounts invested in certificates of deposit as management believes that these certificates can be accessed at any point in time. Substantially, all of the Town's cash and cash equivalents are held in public deposit institutions. Pursuant to Section 35-10-1 of the Rhode Island General Laws, as of October 1, 1991, public deposit institutions are required to insure accounts which hold public funds in excess of the \$250,000 which is guaranteed by FDIC. At times, the Town pools cash resources of its various funds to facilitate the management of cash and maximize investment returns.

**Investments**

The Town invests in various types of investments, which are stated at fair value. Realized and unrealized gains and losses are reported as investment income. The Town invests in Government Securities, Commercial Paper and various corporate stocks and bonds which are held in the Town's Governmental Funds and Fiduciary Funds.

**Accounts Receivable**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes (9% of balance) and intergovernmental receivables. Business-type activities report service and special assessment fees as its major receivables. In addition, at June 30, 2013 the Town's Sewer Authority also reported a debt service assessment receivable of \$6,162,790 due from local communities. This receivable represents the portion of long-term debt obligations which are reported as a liability of the Town of West Warwick, but which are to be reimbursed by surrounding communities in accordance with provisions of executed intermunicipal agreements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes collected within 60 days of year-end and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions earned/measurable but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

The Town uses the allowance method for reporting potential uncollectible accounts in the Government-Wide Statements as well as the Fund Statements. However in the Fund Statements the allowance may also be applied to the unearned revenue balance rather than impacting the operations. At June 30, 2013 the Town has estimated the allowance for doubtful accounts as follows: Allowance for delinquent taxes - \$1,070,000; Allowance for EMS Rescue Billings - \$635,000; Allowance for Municipal Court receivables - \$167,400.

(CONTINUED)



**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance  
(Continued)***

**Property Taxes**

Real and personal property taxes are based on values assessed as of each December 31 (lien date) and attach as an enforceable lien on property as of July 1 (levy date). Taxes are due in equal quarterly installments on July 15th, October 15<sup>th</sup>, January 15<sup>th</sup>, and April 15th following the levy date. The taxpayer may elect to pay the taxes in full or pay quarterly as noted above. Taxes due and unpaid after the respective due dates are subject to interest at a rate of 12% per annum calculated on the unpaid portion of the total tax dating back to July 15<sup>th</sup>. An automatic lien is placed on the taxpayer's property if payment has not been received by the tax due date. Property taxes levied are recorded as receivables in the fiscal year of the levy. Property tax revenues are recorded in accordance with the modified accrual basis of accounting in the fund financial statements.

**Prepays**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets. Prepays recorded in governmental type funds do not reflect current appropriated resources and, as such is reported as nonspendable fund balance.

**Property, Plant and Equipment**

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements as discussed below.

**Government-Wide Statements**

In the government-wide financial statements, long-lived assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. The Town established a capitalization threshold of \$10,000 for an individual item with a useful life in excess of one year. The government-wide financial statements include all infrastructure assets in accordance with GASB Statement #34.

Depreciation of all exhaustible capital assets is recorded, as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the estimated useful life using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Motor Vehicles	5 – 10 years
Land improvements	5 – 10 years
Buildings	10 - 40 years
Sewer lines	100 years
Machinery and Equipment	5 – 10 years
Infrastructure	25 – 35 years
Furniture and Fixtures	5 years

**(CONTINUED)**

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance  
(Continued)***

**Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as in the government-wide statements.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that later date. At June 30, 2013 the Town of West Warwick, Rhode Island did not have any items that met the definition of a deferred outflow of resources.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate section represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2013 the Town of West Warwick, Rhode Island had two items that qualified as a deferred inflow of resources in the governmental funds balance sheet. The unearned tax revenue represents property taxes receivables which are assessed on December 31, 2011 and prior and are not collected within 60 days of June 30, 2013 and the unearned EMS rescue fees that were for services provided prior to June 30, 2013 but are not recognized as revenue since they are considered unavailable as of June 30, 2013. Net unearned tax revenue and EMS revenue included in the fund financial statements were \$2,223,478 and \$169,000 at June 30, 2013, respectively. These amounts are considered unearned and will be recognized as an inflow of resources in the year(s) in which the amounts become available.

**Interfund Transactions**

Interfund activity within and among the funds of the Town have been classified and reported as follows:

- Reciprocal interfund activities:
  - Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds.
  - Interfund services are reported as revenues in the seller fund and as expenditures or expenses in the purchasing fund.
- Non-reciprocal interfund activities:
  - Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds transfers are reported after nonoperating revenues and expenses.

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)***

**Interfund Transactions (Continued)**

- Interfund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.

**Fund Balance Transactions**

The re-appropriation of prior year's fund balance in the General Fund is reported as an other financing source in the current year for budgetary purposes. This is a budgetary basis revenue item only and does not impact the Fund Statements or the Government-Wide Statements.

***Equity Classifications***

**Government-Wide Statements**

Equity is classified as net position and displayed in three components:

- (a) Net Investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted net position - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- (c) Unrestricted net position - All remaining net position that does not meet the definition of "restricted" or "net investment in capital assets".

**Fund Financial Statements**

Governmental fund equity is classified as fund balance. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. These categories are defined below:

- **Nonspendable Fund Balance** – includes the amount of fund balance that cannot be spent because it is either (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash within one year.
- **Restricted Fund Balance** – includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance  
(Continued)***

**Fund Financial Statements (Continued)**

- **Committed Fund Balance** – includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Town Council is the highest level of decision-making authority and utilizes Town Resolutions as a formal procedure to commit fund balance. In addition, the passage of the budget by the taxpayers at the annual financial Town meeting is considered the commitment of funds for the line items included in the fiscal budget.
  
- **Assigned Fund Balance** – includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. As of June 30, 2013 the Town has not adopted a formal Fund Balance policy and as such has not defined the level at which fund balance may be assigned.
  
- **Unassigned Fund Balance** – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The unassigned fund balance may also include negative balances for any governmental funds if the expenditures exceed amounts restricted, committed or assigned for specific purposes.

**Application of Funds**

Expenditures may be incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. Composition of the ending fund balance will be determined by applying the following: In those instances where restricted and unrestricted amounts are available, restricted amounts will be considered to have been spent first [as allowed and in compliance with stated and specified terms or requirements], followed by committed amounts, followed by assigned amounts, and then unassigned amounts.

**Minimum Fund Balance**

The Town's Home Rule Charter, Section 509, requires the Town to maintain a cash reserve fund equal to 5% of the annual operating budget. This unassigned fund balance shall be used as a source of funds to meet town obligations in anticipation of tax receipts, anticipated state and federal aid. The cash reserve fund may also be used as a contingency fund for emergency appropriations. In the event that this cash reserve fund balance is less than 5%, the Town Manager shall include in the budget recommendations a sum of no less than .35% of the operating budget until such time as the fund balance cash reserve is restored to 5%.

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)***

**Compensated Absences**

It is the policy of the Town (including the School Department) to permit employees to accumulate earned but unused vacation and sick leave benefits, which will be paid to the employee upon separation from Town service. Compensated absences that are expected to be liquidated with expendable available financial resources are reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available resources are reported as long-term debt in the government-wide financial statements. Long-term debt and other obligations financed by the proprietary funds are reported as liabilities in the appropriate funds. A liability for compensated absences is recorded in the governmental funds only if the liability had matured at June 30, 2013 as a result of employee resignation or retirements. Compensated absences recorded in the Governmental Activities at June 30, 2013 totaled \$5,918,000 (\$2,968,000 for Town personnel and \$2,950,000 for School Department personnel).

Compensated absences which are liquidated during the fiscal year are allocated to the applicable fund in which the employee's compensation is allocated. Compensated absences are generally allocated to the Town's General Fund for Town personnel (excluding those working in the business-type activities) and the School Unrestricted Fund.

**Reconciliation of Government-wide and Fund Financial Statements**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$28,287,250 are as follows:

Bonds and lease purchase obligations .....	\$22,369,250
Compensated absences .....	<u>5,918,000</u>
<b>Total</b> .....	<b><u>\$28,287,250</u></b>

Another element of that reconciliation states that, "Net OPEB Obligations and Net Pension Obligations are reported on the Statement of Net Position as a long-term obligation at June 30, 2013 but these obligations are not reported on the Fund Statements." The details of this \$61,808,847 are as follows:

Net Pension Obligation .....	\$47,950,972
Net OPEB Obligation .....	<u>13,854,875</u>
<b>Total</b> .....	<b><u>\$61,805,847</u></b>

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this (\$1,927,249) difference are as follows:

Capital outlays.....	\$ 287,815
Depreciation expense .....	<u>(2,215,064)</u>
<b>Net adjustment</b> .....	<b><u>(\$1,927,249)</u></b>

Another element of that reconciliation states that, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds." The details of this \$206,299 difference are as follows:

Net unearned tax revenue - ending .....	\$2,223,478
Net unearned tax revenue – beginning.....	<u>(2,017,179)</u>
Net adjustment (increase net position) .....	<b><u>\$ 206,299</u></b>

**Recently Issued Accounting Standards**

During the fiscal year ended June 30, 2013 the Town implemented the following new accounting pronouncements:

- GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements.
- GASB Statement No. 61 – The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.
- GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.
- GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.
- GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities.
- GASB Statement No. 66 – Technical Corrections – 2012 – an Amendment of GASB Statement No. 10 and No. 62.

The following are recently issued governmental accounting standards which will be applicable in future years:

- GASB Statement No. 67 – Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25, effective for the fiscal year ending June 30, 2014.

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**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued Accounting Standards (Continued)***

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, effective for the fiscal year ending June 30, 2015.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations, effective for the fiscal year ending June 30, 2015.
- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees, effective for the fiscal year ending June 30, 2014.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, effective for the fiscal year ending June 30, 2015.

The impact of these pronouncements on the Town's financial statements has not been determined.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. BUDGETARY PROCESS**

In accordance with the West Warwick Home Rule Charter, the Town has formally established budgetary accounting control for its General Fund and the School Unrestricted Fund, which is presented as a Special Revenue Fund. The General Fund is subject to an annual operating budget that is prepared by the administration of the Town Manager and submitted to the Town Council for approval. The General Fund budget is then presented at the Financial Town meeting to the Citizens of the Town for their approval. The School Unrestricted Fund is subject to an annual operating budget approved by the School Committee and adopted in total by the Town Council as part of the General Fund budget. The annual operating budgets' appropriation amounts are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. The General Fund and School Unrestricted Special Revenue Fund's annual operating budgets are prepared on the budgetary basis of accounting which is not in conformity with Generally Accepted Accounting Principles. The budget to actual presentation included in the required supplementary information is reflected utilizing the budgetary basis of accounting. Other than the Town's General Fund, the only other Governmental Fund that has a legally adopted budget is the School's Unrestricted Fund. Therefore the required supplementary information includes budget versus actual comparisons for the Town's General Fund and the School's Unrestricted Fund only.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**2. BUDGETARY PROCESS (Continued)**

Appropriations in addition to those contained in the annual operating budgets, except for the purpose of meeting a public emergency, are made upon the recommendation of the Town Manager with the Director of Finance's certification as to the General Fund surplus to meet such appropriations and with the Town Council's approval and approval of the citizens at a Financial Town Meeting. During the fiscal year ended June 30, 2013 the Town Council passed several resolutions authorizing the appropriation of fund balance reserves for fiscal 2013 expenditures. These resolutions were considered to be additional appropriations for fiscal 2013.

Amendments to the operating budgets that do not result in additional appropriations may be made within departments by means of a transfer. The Finance Director has authority to make such transfers within departments for the first nine months of the fiscal year. Any other departmental transfers made and transfers made outside of the departmental level in the last three months of the fiscal year require Town Council approval through passage of an ordinance. There were no transfers of budgeted line items during fiscal 2013.

The adjustments necessary to reconcile actual revenues and expenditures reported on a budgetary basis of accounting to revenue and expenditures reported in accordance with generally accepted accounting principles are as follows for the General Fund and the School Unrestricted Fund:

	<u>Revenues &amp; Transfers</u>	<u>Expenditures &amp; Transfers</u>
<b>General Fund:</b>		
<b>Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit B-2)</b>		
.....	\$59,982,420	\$60,892,188
Add use of appropriated fund balance .....	631,999	0
Less transfer of principal to Debt Service Fund which was not budgeted for in fiscal 2013 .....		(155,674)
Add School Unrestricted amounts budgeted in General Fund but not reported for GAAP purposes .....	<u>19,752,356</u>	<u>19,752,356</u>
<b>Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis (RSI-1)</b> .....	<u>\$80,366,775</u>	<u>\$80,488,870</u>
<b>School Unrestricted Fund:</b>		
<b>Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit B-2)</b>		
.....	\$51,378,967	\$49,708,699
Less amount of State on Behalf Pension Contributions reported for GAAP but not part of annual budget .....	<u>(1,835,856)</u>	<u>(1,835,856)</u>
<b>Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis (RSI-2)</b> .....	<u>\$49,543,111</u>	<u>\$47,872,843</u>

(CONTINUED)



**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**3. CASH AND INVESTMENTS**

The State of Rhode Island requires that certain uninsured deposits be collateralized. Section 35-10.1-7 of the General Laws of the State of Rhode Island, dealing with the collateralization of public deposits, requires that all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet the minimum capital requirements of its Federal regulator must be collateralized.

**Deposits**

The carrying amount of the Town's cash and cash equivalents at June 30, 2013 was \$16,463,492 (including Fiduciary Funds) while the bank balance was approximately \$16,280,000. Of the bank balance, approximately \$1,577,600 was covered by federal depository insurance while the remaining balance was collateralized.

At June 30, 2013 the Town's cash and cash equivalents were comprised of the following:

General Fund .....	\$10,192,034
School Unrestricted Fund .....	200
Debt Service Fund .....	994
Non-Major Special Revenue Funds .....	332,612
Non-Major Capital Project Funds .....	227,621
Sewer Authority Fund .....	5,315,035
School Lunch Program Fund .....	257,842
Employee Retirement Trust Fund .....	15,811
Student Activity Agency Funds .....	<u>121,343</u>
<b>Total Cash and Cash Equivalents .....</b>	<b><u>\$16,463,492</u></b>

**Investments**

Investments of all idle funds must be made through national banks or trust companies, provided that the financial conditions and integrity of said institution or institutions are verifiable and can be monitored. The investment of funds shall be in direct obligations of the United States Government and "money market instruments" rated "A" or better. Investments in any one institution cannot exceed five percent of that institutions capital and surplus as set forth in the institutions most recent audited financial statements. All investments are made as would be done by prudent persons of discretion and intelligence in such matters who are seeking a reasonable income and preservation of capital.

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**3. CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

At June 30, 2013 the Town's investments totaled \$28,291,044 (including those held in Fiduciary Funds) and consisted of the following:

	Fair Value	Interest Rate	Maturity	Rating
Money Market Mutual Funds.....	\$ 1,100,823	0%	N/A	Not Rated
U.S. Treasury Bonds and Notes.....	1,161,231	.25% - 3.125%	11/2014 - 2/2043	AAA
U.S. Government Agency Bonds and Notes.....	254,669	.5% - 1%	3/2016 - 1/2018	AAA
U.S. Government Agency GNMA, FNMA, FHLMC Pools...	2,503,915	2.21% - 5.71%	11/2014 - 7/2059	Not Rated
U.S. Government Agency CMO's and REMIC's.....	741,319	1.88% - 7.5%	2/2015 - 2/2047	Not Rated
Municipal Obligations.....	25,870	5.25%	10/2016	AAA
Municipal Obligations.....	10,210	5.51%	8/2030	AA1
Municipal Obligations.....	120,456	5.32% - 5.34%	12/2016 - 1/2017	AA2
Municipal Obligations.....	115,868	5.25% - 6.5%	10/2017 - 12/2018	Not Rated
Domestic Equity Mutual Funds.....	5,626,490	N/A	N/A	Not Rated
International Equity Mutual Funds.....	3,054,816	N/A	N/A	Not Rated
Closed End Equity Mutual Funds.....	4,469,341	N/A	N/A	Not Rated
Open End Mutual Funds	30,845	N/A	N/A	Not Rated
Taxable Fixed Income Mutual Funds.....	5,474,009	N/A	N/A	Not Rated
Common Equity Small Cap Mutual Funds.....	1,624,947	N/A	N/A	Not Rated
U. S. Corporate Bonds and Notes.....	88,383	5% - 5.7%	1/2015 - 3/2039	AAA
U. S. Corporate Bonds and Notes.....	49,033	3.19% - 4.75%	6/2019 - 6/2023	AA1
U. S. Corporate Bonds and Notes.....	40,801	5.25% - 5.85%	2/2018 - 7/2019	AA2
U. S. Corporate Bonds and Notes.....	73,221	4.7% - 5.45%	12/2017 - 8/2019	AA3
U. S. Corporate Bonds and Notes.....	160,759	1.55% - 7.75%	3/2017 - 11/2018	A3
U. S. Corporate Bonds and Notes.....	246,581	4.75% - 6.125%	4/2014 - 6/2019	A2
U. S. Corporate Bonds and Notes.....	45,796	5.3% - 6%	11/2017 - 1/2019	A1
U. S. Corporate Bonds and Notes.....	71,411	3.432% - 3.6%	7/2035 - 8/2036	Not Rated
U. S. Corporate Bonds and Notes.....	180,401	3.7% - 6.875%	4/2015 - 3/2020	BAA2
U. S. Corporate Bonds and Notes.....	193,011	4.25% - 6.3%	11/2017 - 11/2019	BAA1
U. S. Corporate Bonds and Notes.....	81,667	6% - 8.125%	1/2019 - 6/2019	BAA3
U.S. Corporate Stocks.....	15,470	N/A	N/A	Not Rated
Foreign Corporate Bonds.....	46,138	3.25% - 5%	1/2021 - 11/2021	A1
Foreign Corporate Bonds.....	32,547	4.50%	10/2020	A2
Foreign Corporate Bonds.....	19,751	3.75%	9/2021	A3
Corporate CMO's and REMIC's.....	140,261	2.55% - 5.37%	12/2044 - 9/2047	AAA
Corporate CMO's and REMIC's.....	132,538	2.68% - 5.66%	2/2039 - 6/2046	Not Rated
Corporate CMO's and REMIC's.....	63,532	4.67%	7/2043	AA3
Unit Investment Equity Trusts.....	264,293	N/A	N/A	Not Rated
Unit Investment Corporate Trusts.....	30,641	N/A	N/A	Not Rated
<b>Total Investments</b> .....	<b>\$ 28,291,044</b>			

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**3. CASH AND INVESTMENTS (Continued)**

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town limits its exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The Town invests operating funds primarily in shorter-term securities, money market funds, or similar investment pools although the Town does not have a formal policy relating to a specific investment related risk.

***Concentrations***

The Town policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific industry and/or with a specific maturity.

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of financial institution failure, the Town's deposits and/or investments may not be returned. The Town does not believe that it has a significant custodial credit risk as substantially all investments securities are registered and held in the name of the Town. Additionally, the Town places deposits in financial institutions that are FDIC insured up to \$250,000, rated "well capitalized" on its most recent audited financial statement/SEC filings if deposits exceed \$250,000, and if the capital ratios are currently acceptable but appear to be in jeopardy, the Town will engage an outside rating agency to determine status of the institution. The Town also ensures that virtually all uninsured deposits greater than \$250,000 are collateralized.

***Credit Risk***

Generally credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk exposure.

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**4. PROPERTY TAXES AND ASSESSMENTS RECEIVABLE**

The Town assesses taxes each December 31<sup>st</sup> and the levy thereon may be paid in full on or before July 15<sup>th</sup>, or quarterly, on or before July 15<sup>th</sup>, October 15<sup>th</sup>, January 15<sup>th</sup>, and April 15<sup>th</sup>, without penalty, at the taxpayer's option.

During the year ended June 30, 2013, the Town received \$213,265 from the State of Rhode Island as payment in accordance with legislation regarding the phase-out of motor vehicle tax. Under the law, excise tax on motor vehicles and trailers were originally supposed to be phased out entirely over a seven-year period commencing with the 1999-2000 fiscal year. Based on fiscal problems with the State budget over the last several years the program has been reduced to a maximum exemption of \$6,000 as of June 30, 2007 in accordance with legislation passed as part of the State's budget for the fiscal year ended June 30, 2007. The phase-out program freezes the tax rate at \$39.00 which was the rate in fiscal year 1997-1998. The exemption remained at \$6,000 per vehicle for the 2007-2008 and 2008-2009 fiscal years. During fiscal 2010 the State reduced the reimbursement amount for the 3<sup>rd</sup> and 4<sup>th</sup> quarters of the fiscal year. Effective July 1, 2010 the State reduced the exemption amount to \$500 per vehicle however the Town was required to maintain the rate frozen at \$28.47 per thousand of assessed value.

The State of Rhode Island had also passed legislation to phase-out wholesale and retail inventory tax over a ten-year period effective July 1, 1999. The phase-out of this tax was supposed to be supplemented through an increase in General Revenue Sharing (GRS). The GRS was supposed to be increased from the effective rate of 1% on June 30, 1998 to 4.7% on June 30, 2009. Based on fiscal problems with the State budget over the last few years the program did not increase as scheduled in the 2006, 2007, 2008, or 2009 fiscal years. In fiscal 2004, 2.7% of total State tax revenues were earmarked for GRS to cities and towns. In fiscal 2005 an additional \$1 million was added to the total GRS to cities and towns rather than the planned increase to 3% of the State tax revenues. In fiscal 2006 GRS was increased to 3% of the State tax revenues. In Fiscal 2007 GRS was increased by \$137,875 and then cut by \$10,000,000 in fiscal 2008. During the 2009 fiscal year GRS was cut by another \$25,111,876 through the final adopted supplemental State budget. In fiscal 2010 the Governor's budget eliminated all GRS to Cities and Towns resulting in a loss of over \$25,000,000 to local communities.

An automatic lien is placed on the taxpayer's property if payment has not been received by the due date. Interest is charged on past due accounts at a rate of 12% per annum calculated on the unpaid portion of the total tax and is retroactive to July 15<sup>th</sup> annually.

Net property taxes levied for the fiscal year 2013 were based on a net assessed value of approximately \$2,233,203,000 at December 31, 2011 and amounted to approximately \$54,252,600. Collections through June 30, 2013 amounted to approximately \$52,323,700, which represents approximately 96% of the total tax levy.

The Town recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements. Unpaid property taxes and other general fund assessments as of June 30, 2013 \$3,636,832 are recorded as a receivable, net of an allowance for uncollectible property taxes of \$1,070,000. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2013 are recorded as unearned tax revenue and amounted to \$2,223,478 at June 30, 2013. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2013 (due to their collection within the 60 days immediately following June 30, 2013) amounted to \$343,354.

The allowance for uncollectible accounts is based on that portion of current and delinquent taxes receivable which is estimated to be doubtful of collection. This provision does not constitute an abandonment of claim or cessation of collection efforts.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**5. CAPITAL ASSETS**

As of June 30, 2013 the Town does not have adequate policies, procedures, or controls over maintaining capital asset records relative to the governmental activities or the business-type activities of the Sewer Authority. Although the Town currently maintains detailed capital asset records, those capital asset records are not reconciled to the general ledger accounting records utilized to prepare the annual financial statements. The capital asset information presented below is based on the general ledger accounting records maintained by the Town which do not coincide with the detailed capital asset records. Although the capital asset additions for fiscal 2013 are believed to be substantially complete, the opening balances remain uncertain and as a result the auditors' expressed an adverse opinion on the Governmental Activities, Business-type Activities, and the Sewer Authority Enterprise Fund as of and for the fiscal year ended June 30, 2013.

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balances</u> <u>7/1/12</u>	<u>Additions</u>	<u>Retirements &amp;</u> <u>Disposals</u>	<u>Balances</u> <u>6/30/13</u>
<b>Governmental Activity:</b>				
<b>Nondepreciable Assets:</b>				
Land .....	\$ 6,100,113			\$ 6,100,113
Construction in progress .....	207,752	\$ 23,560		231,312
<b>Depreciable Assets:</b>				
Land improvements .....	1,041,755			1,041,755
Buildings and improvements .....	80,869,373			80,869,373
Equipment .....	3,995,783	82,689		4,078,472
Office furniture and fixtures .....	2,162,079			2,162,079
Vehicles .....	2,478,817	181,566		2,660,383
Infrastructure .....	48,965,797			48,965,797
<b>Total cost .....</b>	<b>145,821,469</b>	<b>287,815</b>	<b>\$ 0</b>	<b>146,109,284</b>
<b>Accumulated Depreciation:</b>				
Land improvements .....	(1,041,755)			(1,041,755)
Building and improvements .....	(60,084,635)	(627,349)		(60,711,984)
Equipment .....	(3,581,461)	(309,908)		(3,891,369)
Office furniture and fixtures .....	(1,473,339)	(2,942)		(1,476,281)
Vehicles .....	(1,217,731)	(140,196)		(1,357,927)
Infrastructure .....	(30,399,090)	(1,134,669)		(31,533,759)
<b>Total accumulated depreciation .....</b>	<b>(97,798,011)</b>	<b>(2,215,064)</b>	<b>0</b>	<b>(100,013,075)</b>
<b>Net capital assets .....</b>	<b>\$ 48,023,458</b>	<b>\$ (1,927,249)</b>	<b>\$ 0</b>	<b>\$ 46,096,209</b>

Depreciation expense for the year ended June 30, 2013 was charged to the following functions/programs of the Town:

<b>Governmental Activities:</b>	
General government .....	\$ 1,171,593
Education .....	413,249
Public safety .....	353,194
Public works .....	125,054
Library .....	7,634
Recreation and other .....	144,340
<b>Total .....</b>	<b>\$ 2,215,064</b>

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**5. CAPITAL ASSETS (Continued)**

	(As Restated)			
	Balances		Retirements &	Balances
	<u>7/1/12</u>	<u>Additions</u>	<u>Disposals</u>	<u>6/30/13</u>
<b>Business-type Activities:</b>				
<b>Nondepreciable Assets:</b>				
Land .....	\$ 354,500			\$ 354,500
<b>Depreciable Assets:</b>				
Plant facilities and equipment .....	65,552,372	\$ 34,451		65,586,823
Extensions and mains .....	37,488,865			37,488,865
Cafeteria equipment.....	194,903	122,600		317,503
Motor vehicles.....	0	47,475		47,475
<b>Total cost</b> .....	<u>103,590,640</u>	<u>204,526</u>	\$ 0	<u>103,795,166</u>
 <b>Accumulated Depreciation:</b>				
Plant facilities and equipment .....	(15,052,321)	(1,184,444)		(16,236,765)
Extensions and mains .....	(12,071,952)	(588,085)		(12,660,037)
Cafeteria equipment.....	(81,915)	(29,231)		(111,146)
Motor vehicles.....	0	(2,107)		(2,107)
<b>Total accumulated depreciation</b> .....	<u>(27,206,188)</u>	<u>(1,803,867)</u>	0	<u>(29,010,055)</u>
 <b>Net capital assets</b> .....	 <u>\$ 76,384,452</u>	 <u>(\$1,599,341)</u>	 \$ 0	 <u>\$ 74,785,111</u>

Depreciation expense for the year ended June 30, 2013 was charged to the following Business-type Activities:

<b>Business-type Activities:</b>	
Sewer Authority .....	\$ 1,772,529
School Lunch Program .....	<u>31,338</u>
<b>Total</b> .....	<u>\$ 1,803,867</u>

**6. LONG-TERM DEBT**

**(a) General**

All of the Town's general obligation debt (now outstanding or authorized but unissued) has been authorized pursuant to the General Laws of the State of Rhode Island or special acts of the State Legislature. Each special act provides for approval thereof by the electors of the Town.

The Rhode Island General Laws provide that no Town shall, without special statutory authority, incur any debt which would increase its aggregate indebtedness beyond three (3%) percent of the taxable property of the Town. Tax anticipation notes are not included in the computation of the legal debt limit. Debt may be incurred in excess of the three percent limit with the approval of the State Director of Administration. At June 30, 2013 all of the Town's bonds and notes outstanding or authorized but unissued are either specifically exempt from the three percent debt limit or are within such limit.

At June 30, 2013 the three (3%) debt limit of the Town was approximately \$66,996,100 based on the net assessed value of property at December 31, 2011 of \$2,233,203,000.

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**6. LONG-TERM DEBT (Continued)**

(b) At June 30, 2013, the Town's long-term debt outstanding and activity consisted of the following:

<u>Description</u>	<u>Date Issued</u>	<u>Original Principal</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>(As Restated) Outstanding June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2013</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>									
<b>General obligation bonds:</b>									
Open Space bond .....	08/15/93	\$ 800,000	06/30/14	7% - 7.45%	\$ 135,000		\$ 65,000	\$ 70,000	\$ 70,000
2002 Refunding Series B .....	08/01/02	1,300,000	07/15/12	2% - 3.875%	130,000		130,000	0	0
2005 Town Bond .....	10/25/05	2,100,000	10/14/25	4% - 5%	1,440,000		110,000	1,330,000	110,000
2005 Qualified Zone Academy Bonds .	11/29/05	3,688,000	11/29/21	1.47%	3,688,000		0	3,688,000	0
2009 Refunding bonds series B .....	08/20/09	2,370,000	04/01/18	2% - 3.5%	1,515,000		265,000	1,250,000	260,000
2009 Series A .....	08/20/09	6,500,000	04/01/29	2.75% - 5%	6,005,000		255,000	5,750,000	265,000
2007 Road bonds .....	07/15/07	5,000,000	07/15/27	4.5% - 5.25%	4,000,000		250,000	3,750,000	250,000
2002 School improvements .....	03/01/02	<u>10,500,000</u>	03/01/22	4.8%	<u>6,905,000</u>		<u>555,000</u>	<u>6,350,000</u>	<u>580,000</u>
<b>Total general obligations bonds</b>		<b><u>\$32,258,000</u></b>			<b><u>23,818,000</u></b>	<b><u>\$ 0</u></b>	<b><u>1,630,000</u></b>	<b><u>22,188,000</u></b>	<b><u>1,535,000</u></b>
<b>Lease Purchase obligations:</b>									
Capital lease .....	01/21/11	<u>\$386,724</u>	03/21/16	6.00%	<u>237,671</u>	<u>0</u>	<u>56,421</u>	<u>181,250</u>	<u>58,374</u>
<b>Other long-term obligations</b>									
Net Pension Obligation .....					43,279,369	4,671,603	0	47,950,972	0
Net OPEB Obligation .....					11,882,805	2,175,070	0	13,857,875	0
Bond premium .....					243,596	0	16,440	227,156	0
Compensated absences .....					5,836,566	81,434	0	5,918,000	500,000
<b>Total other long-term obligations .....</b>					<b><u>61,042,336</u></b>	<b><u>6,928,107</u></b>	<b><u>16,440</u></b>	<b><u>67,954,003</u></b>	<b><u>500,000</u></b>
<b>Governmental Activities Long-Term Obligations .....</b>					<b><u>\$85,098,007</u></b>	<b><u>\$6,928,107</u></b>	<b><u>\$1,702,861</u></b>	<b><u>\$90,323,253</u></b>	<b><u>\$2,093,374</u></b>

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**6. LONG-TERM DEBT (Continued)**

**(b) Long-Term Debt Outstanding and Activity (Continued):**

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	(As Restated)	Additions	Retirements	Outstanding June 30, 2013	Due Within One Year
					Outstanding June 30, 2012				
<b>Business Type Activities:</b>									
<i>General revenue bonds/notes:</i>									
RI Clean Water Finance Agency .....	03/09/06	\$ 7,719,000	09/01/25	1.11% -1.57%	\$ 5,693,000		\$ 358,000	\$ 5,335,000	\$ 365,000
RI Clean Water Finance Agency .....	06/05/03	20,923,000	09/01/23	0.0%	13,076,000		1,121,000	11,955,000	1,121,000
RI Clean Water Finance Agency .....	12/21/06	500,000	09/01/26	1.19% - 1.36%	391,000		23,000	368,000	23,000
RI Clean Water Finance Agency .....	12/12/07	1,675,000	09/01/28	1.19% - 1.65%	1,462,000		74,000	1,388,000	75,000
RI Clean Water Finance Agency .....	12/30/04	<u>3,000,000</u>	09/01/25	.78% - 1.56%	<u>2,206,000</u>		<u>140,000</u>	<u>2,066,000</u>	<u>142,000</u>
<b>Total bonds obligations.....</b>		<b><u>\$33,817,000</u></b>			<b>22,828,000</b>	<b>\$ 0</b>	<b>1,716,000</b>	<b>21,112,000</b>	<b>1,726,000</b>
Net OPEB Obligations .....					236,568	44,520	0	281,088	0
Compensated absences .....					181,643	0	40,643	141,000	41,000
<b>Business-type activities, long-term liabilities.....</b>					<b><u>\$23,246,211</u></b>	<b><u>\$ 44,520</u></b>	<b><u>\$1,756,643</u></b>	<b><u>\$21,534,088</u></b>	<b><u>\$1,767,000</u></b>

**(c) Municipal Debt Service Assessments Receivable**

The Town of West Warwick has entered into several Intermunicipal Agreements with surrounding local communities. Under the provisions of these agreements, the participating communities are responsible for certain costs and improvements to the wastewater/sewer treatment facility and operations. In addition to the normal operating costs and assessments these local communities are also responsible for portions of the outstanding debt obligations and interest which is due annually on these debt obligations. The portion of the debt obligations to be paid by the local communities in accordance with the Intermunicipal Agreements has been recorded as a special assessments receivable and revenue when the project was completed and the obligation entered into. At June 30, 2013 the amount of the municipal debt service assessment receivable which is expected to be collected in future years totaled \$6,162,790. Of this amount, \$563,418 is expected to be received in fiscal 2014 to help cover the principal balance due of \$1,726,000 during fiscal 2014.

(CONTINUED)



**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**6. LONG-TERM DEBT (Continued)**

**(d) Debt Service Requirements**

The Town's future debt service requirements relating to outstanding bond and lease obligations consist of the following and are planned to be raised through future property tax levies, fee assessments, and state aid for school housing and improvements. The future maturities presented below does not include the amortization of the bond premium.

Year ending June 30:	<b><u>Governmental Activities</u></b>		<b><u>Business-Type Activities</u></b>		<b><u>Total</u></b>
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	
2014 .....	\$ 1,593,374	\$ 900,731	\$ 1,726,000	\$ 449,103	\$ 4,669,208
2015 .....	1,555,393	836,911	1,735,000	412,845	4,540,149
2016 .....	1,587,483	772,759	1,705,000	375,999	4,441,241
2017 .....	1,555,000	705,216	1,717,000	338,650	4,315,866
2018 .....	1,590,000	636,004	1,728,000	300,263	4,254,267
2019 - 2023 .....	10,298,000	2,037,614	8,835,000	892,367	22,062,981
2024 - 2028 .....	3,700,000	596,125	3,565,000	91,576	7,952,701
2029 .....	490,000	23,275	101,000	831	615,106
Total .....	<b><u>\$22,369,250</u></b>	<b><u>\$6,508,635</u></b>	<b><u>\$21,112,000</u></b>	<b><u>\$2,861,634</u></b>	<b><u>\$52,851,519</u></b>

The 2005 Qualified Zone Academy Bonds outstanding totaling \$3,688,000 at June 30, 2013 requires annual interest and principal payments. However, under the terms of this debt obligation the principal payments are held in escrow until the maturity of the debt in fiscal 2022. Accordingly, the principal payment is not reflected as a current maturity obligation until fiscal 2022 when the payment will be applied to the outstanding debt obligation. As of June 30, 2013 the Town is maintaining a Debt Service Fund to reflect the restricted cash and investments which are being maintained for the future retirement of this debt obligation. As of June 30, 2013 the amount of fund balance available for the future payment of this outstanding principal debt obligation was \$1,440,995. Annual principal payments to be made to the debt service fund total approximately \$230,500.

**7. FUND EQUITY BALANCES**

**(a) Fund Balances**

As stated in Note 1, Fund Balance may be classified as one of five categories: Non-spendable, Restricted, Committed, Assigned, or Unassigned. See Note 1 of these financial statements for definitions of these five Fund Balance categories. The detail of the composition of Non-spendable, Restricted, and Committed Fund Balance follows.

At June 30, 2013 **Non-spendable Fund Balance** consisted of the following:

**MAJOR GOVERNMENTAL FUNDS:**

**General Fund:**

Deposits with Health Insurance Administrator .....	\$240,600
Prepaid expenditures .....	19,110
<b>Total Non-Spendable Fund Balance .....</b>	<b><u>\$259,710</u></b>

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**7. FUND EQUITY BALANCES (Continued)**

**(a) Fund Balances (Continued)**

At June 30, 2013 *Restricted Fund Balance* consisted of the following:

**MAJOR GOVERNMENTAL FUNDS:**

**Debt Service Fund:**

Future retirement of debt obligations..... \$1,440,995

**NON-MAJOR GOVERNMENTAL FUNDS:**

**Special Revenue Funds:**

Education ..... 108,743  
OPEB benefits ..... 99,504  
Tower Rent Revolving Fund..... 45,852  
Police investigations and equipment..... 90,095  
Library operations..... 353,302  
Public Safety..... 35,567  
Economic Development..... 15,865  
Town Committees..... 2,110

**Capital Project Funds:**

Education ..... 8,014  
**Total Non-major Governmental Funds..... \$ 759,052**

At June 30, 2013 *Committed Fund Balance* consisted of the following:

**MAJOR GOVERNMENTAL FUNDS:**

**General Fund:**

Radio Equipment..... \$ 43,602  
Cell Block repairs ..... 5,540  
Fire capital expenditures..... 3,600  
**Total General Fund..... \$ 52,742**

**School Unrestricted Fund:**

Educational programs..... \$ 2,082

**NON-MAJOR GOVERNMENTAL FUNDS:**

**Special Revenue Funds:**

Public Safety ..... \$ 369,769  
Open Space ..... 2,031

**Capital Project Funds:**

Fire Safety Equipment..... 289,460  
**Total Non-major Governmental Funds..... \$ 661,260**

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**7. FUND EQUITY BALANCES (Continued)**

**(b) Fund Deficits:**

The following funds had deficit fund equity balances at June 30, 2013. These deficit fund balances are reported as unassigned fund balance/deficit at June 30, 2013.

<b>Nonmajor Governmental Funds:</b>	
<b>Special Revenue Funds:</b>	
Riverwalk Fund .....	\$ 71,542
Homeland Security Fund .....	924
<b>Capital Project Funds:</b>	
Road Bond Fund .....	<u>31,444</u>
<b>Total Nonmajor Governmental Funds .....</b>	<b><u>\$ 103,910</u></b>

The deficit fund equity balances noted above will be eliminated through the future issuance of bond obligations, grant funding, and/or transfer from the Town's General Fund.

The following individual funds recognized operating deficits for the year ending June 30, 2013:

<b>Major Governmental Funds:</b>	
General Fund .....	<u>\$ 909,768</u>
<b>Business-Type Activities:</b>	
Sewer Authority .....	<u>\$ 228,557</u>
<b>Non-major Governmental Funds:</b>	
<b>Special Revenue Funds:</b>	
Bramley Bill Fund .....	\$ 4,367
Library Gants .....	74,719
Homeland Security Fund .....	924
DARE Fund .....	260
Drug Evidence Fund .....	4,391
<b>Capital Project Funds:</b>	
School QZAB Bond Fund .....	7,228
School Fire Code Renovations Fund .....	50,976
Road Bond Fund .....	<u>104,395</u>
<b>Total deficits non-major governmental activities .....</b>	<b><u>\$ 247,260</u></b>

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**8. INTERFUND BALANCES AND TRANSFERS**

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund or may simply be the result of pooling financial resources to maximize investment income/return. The composition of interfund balances at June 30, 2013 is as follows:

<b><u>Governmental Funds:</u></b>	<b><u>Due From Other Funds</u></b>	<b><u>Due to Other Funds</u></b>
<b>Major Governmental Funds:</b>		
General Fund .....	\$ 420,394	\$ 4,131,779
School Unrestricted Fund.....	<u>2,736,513</u>	<u>430,687</u>
<b>Total Major Governmental Funds.....</b>	<b><u>3,156,907</u></b>	<b><u>4,562,466</u></b>
<b>Non-major Governmental Funds:</b>		
Town Special Revenue Funds .....	545,120	388,951
School Special Revenue Funds.....	64,040	890,146
Capital Project Funds.....	<u>70,037</u>	<u>31,444</u>
<b>Total Non-major Governmental Funds .....</b>	<b><u>679,197</u></b>	<b><u>1,310,541</u></b>
<b>Total Governmental Funds .....</b>	<b><u>3,836,104</u></b>	<b><u>5,873,007</u></b>
<b><u>Proprietary Funds:</u></b>		
Sewer Authority.....	1,572,711	0
Wastewater Fund.....	95,045	0
School Lunch Program.....	<u>369,147</u>	<u>0</u>
<b>Total Proprietary Funds.....</b>	<b><u>2,036,903</u></b>	<b><u>0</u></b>
<b>TOTAL ALL FUNDS.....</b>	<b><u>\$5,873,007</u></b>	<b><u>\$5,873,007</u></b>

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all operating costs or capital expenditures with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2013 is as follows:

<b><u>Transfer Out</u></b>	<b><u>Debt Service Fund</u></b>	<b><u>School Unrestricted Fund</u></b>	<b><u>Total Transfer Out</u></b>
General Fund.....	\$155,674	\$29,100,000	\$29,255,674
Non-Major Governmental Funds .....		20,000	20,000
<b>Total transfer in .....</b>	<b><u>\$155,674</u></b>	<b><u>\$29,120,000</u></b>	<b><u>\$29,275,674</u></b>

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**9. DEFINED BENEFIT PENSION PLANS**

**(a) Teacher's Pension Plan – Employees' Retirement System (ERS)**

Effective July 1, 2012, the State administered retirement system, which covers local teachers and certain municipal employees, was modified to include both defined benefit and defined contribution plan components.

***Plan Description***

All full-time teachers, principals, school nurses and certain other school officials (including the superintendent) in the West Warwick School Department must participate in the ERS, a cost-sharing multiple employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). The plan provides retirement, death and disability benefits (as well as annual cost of living allowances if certain conditions have been met) as outlined in Chapters 36-10 and 16-16 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

The payroll for employees covered by the System for the year ended June 30, 2013 was approximately \$22,168,000.

***Funding Policy***

The funding policy is outlined in RIGL sections 16-16-22 and 36-10-2 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 3.75% of his/her compensation. The Town (School Department) and the State are collectively required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The employer contribution is split and paid 40% by the State and 60% by the school district with the exception of teachers who work in federally funded programs where 100% is paid by the school district and reimbursed by the federal government. For fiscal 2013, the total employer rate 19.29% (7.88% State share and 11.41% local share). The State share of the employer contribution rate includes the total cost of prior contribution deferrals which was .28% for fiscal 2013.

The plan also provides a survivor benefit to public school teachers in lieu of Social Security as outlined in sections 16-16-25 through 16-16-38 of the Rhode Island General Laws (RIGL). Spouse, parents, family or children's benefits are payable upon death of a member. In lieu of a survivor benefit, members may opt to receive a lump sum return of their contributions plus interest upon retirement. The benefits may be amended by the Rhode Island General Assembly.

The cost of the survivor benefits provided by the plan are two percent (2%) of the member's annual salary up to but not exceeding an annual salary of \$9,600; one-half (1/2) of the cost is contributed by the member by deductions from his or her salary, and the other half (1/2) is contributed and paid by the school district. These contributions are in addition to the contributions required for regular pension benefits.

The Town contributed approximately \$2,714,000, \$3,009,000, and \$2,721,000 during the fiscal years 2013, 2012 and 2011, respectively, equal to 100% of the actuarially required contributions for those respective years. For financial reporting purposes, the State's share of the contributions is reflected as on-behalf payments and is included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined benefit plan for the fiscal year ended June 30, 2013 amounted to approximately \$1,746,800.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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9. **DEFINED BENEFIT PENSION PLANS (Continued)**

(a) **Teacher's Pension Plan – Employees' Retirement System (ERS) (Continued)**

**Funding Policy (Continued)**

A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

- (a) **Mortality** – 97% of rates for male teachers and 92% of rates for female teachers in a GRS table projected with Scale AA from 2000.
- (b) **Investment return** – 7.5 percent, compounded annually, composed of an assumed 2.75% inflation rate and a 4.75% net real rate of return.
- (c) **Salary increase** - Salaries will increase at a rate of 4% wage inflation assumption and a service related component ranging from 0% to 8.75% annually.
- (d) **Payroll growth rate** – In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.75% per year. The increase is due to the effect of wage inflation on salaries with no allowance for future membership growth.
- (e) **Retirement age** – 75% of Schedule B members who reach the age of 59 with 29 years of service before age 65 are assumed to retire when first eligible. 75% of other members are expected to retire when first eligible, at age 65 with 10 years of service. Because of enactment of Article 7 in 2009 and the Act in 2011, the retirement assumption was modified for members whose retirement ages were delayed. Members who would have been assumed to retire prior to the Act are assumed to retire when first eligible for an unreduced benefit.
- (f) **Cost of living adjustments** – COLA benefit increases are assumed to be 2% per year while the plan has a funding level that exceeds 80%. An interim COLA will be granted in five-year intervals while the COLA is suspended. The first COLA will be applicable in calendar year 2018. As of June 30, 2012 it is assumed that the COLAs will be suspended for 15 years due to the current funding level of the plan.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. These reports include all trend information showing the System's progress in accumulating sufficient assets to pay benefits when due. The June 30, 2012 report is the most recent available report and it may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, Rhode Island or on-line at [www.ersri.org](http://www.ersri.org).

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**9. DEFINED BENEFIT PENSION PLANS (Continued)**

**(b) Pension Plan of Town of West Warwick**

***Plan Description***

The Town of West Warwick maintains a single-employer public employees' retirement plan which covers all employees of the Town except for Certified School Department personnel which are covered by the Employees' Retirement System administered by the State of Rhode Island. The plan was established and is maintained in accordance with the Town Charter.

The plan pays both normal retirement benefits as well as preretirement and postretirement death benefits. Fire personnel and police personnel hired before July 1, 2011 receive normal retirement benefits equal to 2.5% of average annual compensation multiplied by credited service up to 28 years. Police hired on or after July 1, 2011 receive a benefit equal to 2.5% of average annual compensation multiplied by credited service up to 20 years, plus 2% of average annual compensation multiplied by up to ten additional years of service. All other employees receive a benefit equal to 2.5% of average annual compensation multiplied by credited service.

The plan also provides for cost of living adjustments of 2% for police and fire personnel for 10 years effective July 1, 1991 and 2.25% for 15 years effective July 1, 2000 and 2002 for police and fire personnel, respectively. Cost of living adjustments for other employees is calculated at 2% for 5 years effective July 1, 1999 and 2.25% for 15 years effective July 1, 2002.

A lump sum preretirement death benefit equal to \$400 times number of years of service, with a minimum of \$2,000 and a maximum of \$8,000 is payable to the employee's beneficiary. If a survivor's pension is not payable, an additional amount equal to employee contributions with credited interest is payable to the employee's beneficiary. If the employee dies after 10 years of service and while married, his/her spouse will receive a monthly pension equal to the amount which would be payable if he/she had retired with a 50% joint & survivor annuity.

A lump sum postretirement death benefit is payable to a participant's beneficiary in an amount equal to the greater of \$400 times years of service, with a maximum of \$8,000, reducing by 25% per year following retirement to a minimum of \$2,000, or the excess of the employee's contributions plus credited interest to the retirement date over any benefits already paid. In addition, a spouse's pension equal to 67.5% of the participant's pension is payable until the earlier of the spouse's death or remarriage, or to surviving dependent children under age 18.

Fire employees hired before July 1, 2011 may retire upon the earlier of attainment of age 62.5 or the completion of 20 years of service regardless of age. Fire employees hired on or after July 1, 2011 may retire upon the earlier of attainment of age 62.5 or the attainment of age 50 and completion of 20 years of service. However, benefits cannot begin until the twenty third year anniversary of membership in the Plan.

Police hired before July 1, 2011 may retire at the earlier of age 62 or the completion of 20 years of service regardless of age. Police hired on or after July 1, 2011 may retire at the earlier of age 62 or the attainment of age 50 and completion of 25 years of service.

All other Plan participants may retire upon the attainment of age 60 and completion of 10 years of service or the completion of 25 years of service regardless of age.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

**(b) Pension Plan of Town of West Warwick (Continued)**

**Plan Funding**

Fire employees hired prior to July 1, 2011 and police employees are required to contribute 9% of their compensation to the plan up to and including 28 years of service. The employee contribution requirement terminates after 28 years. Fire employees hired on or after July 1, 2011 contribute 9% of their compensation for 30 years of service. All other employees of the plan are required to contribute 9% of their compensation to the plan effective July 1, 2011. Prior to July 1, 2011 other employee contributions were 8% of compensation.

The Town's (including the School Department) annual required contribution is determined by an actuarial valuation and was calculated to be \$9,264,065 or approximately 62.4% of the covered payroll. Town (employer) contributions to the plan (on an accrual basis of accounting) for the fiscal year ended June 30, 2013 were \$3,751,619 including contributions receivable at June 30, 2013. The contributions for fiscal 2013 were comprised of the following: School Department personnel \$1,061,643; Town police, fire, and general employees \$2,221,858; Sewer and other fund employees \$468,118. Actual employer contributions deposited to the plan during fiscal 2013 totaled \$5,601,352. Employee contributions to the plan for the fiscal year ended June 30, 2013 totaled \$1,299,046.

The Town's annual pension cost (APC) and net pension obligation (NPO) for the Pension Plan of Town of West Warwick as of and for the year ended June 30, 2013 was as follows:

Annual Required Contribution (ARC).....	\$ 9,264,065
Interest on NPO .....	3,462,350
Adjustment to ARC.....	<u>(2,753,460)</u>
<b>Annual Pension Cost</b> .....	<b>9,972,955</b>
Actual contributions made.....	<u>5,301,352</u>
Increase in NPO.....	4,671,603
NPO at beginning of year.....	<u>43,279,369</u>
<b>Net Pension Obligation, June 30, 2013</b> .....	<b><u>\$47,950,972</u></b>

**Trend Information**

Fiscal Year	Annual Pension Cost (APC)	Employer Amount Contributed	Percentage of APC Contributed	Net Pension Obligation
2011	\$7,314,888	\$1,289,098	17.6%	\$35,273,050
2012	\$9,106,911	\$1,100,592	12.1%	\$43,279,369
2013	\$9,972,955	\$5,301,352	53.2%	\$47,950,972

**Funded Status of Plan**

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Pension Plan of Town of West Warwick with a valuation date of July 1, 2013.

Actuarial value of assets - \$26,428,505	Actuarial Accrued Liability (AAL) - \$154,588,604
Unfunded AAL - \$128,160,099	Funded Ratio - 17.1%
Covered Payroll - \$13,956,326	Unfunded AAL as % of Payroll - 918.3%

(CONTINUED)



**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

**(b) Pension Plan of Town of West Warwick (Continued)**

**Funded Status of Plan (Continued)**

The actuarial methods and assumptions utilized for the valuation of the Pension Plan of Town of West Warwick as of a valuation date of July 1, 2013 were as follows (unaudited):

Valuation interest rate .....	7.5%
Mortality tables .....	RP-2000 Combined Blue Collar Mortality Table with generational projection per Scale AA for Police and Fire. RP-2000 Combined Healthy Mortality Table with generational projection per Scale AA for other participants and beneficiaries. RP-2000 Disabled Mortality Table with generational projection per Scale AA for disabled participants.
Compensation increase rate .....	2% compounded annually for the next five years; 3.5% compounded annually thereafter.
Retirement age.....	Police and Fire 25% assumed to retire at 20 years of service; 50% at 25 years of service; 100% at age 62; 5% at all other age/service combinations. Others range from 4% at age 56-59 to 100% by age 70.
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization period .....	25 years closed as level % of pay
Asset Valuation Method .....	Fair market value of assets adjusted for a 5 year phase in of gains and losses on fair market value of assets.

Significant assumption changes since the July 1, 2012 valuation include the following: interest rate used to measure plan liabilities reduced from 8% to 7.5%; salary increase assumption was lowered to 2.0% over the next five years based on the merit increases being 0% over that time period, salary increases revert to 3.5% thereafter; the mortality table for non-disabled police and fire members updated to the RP-2000 Blue Collar Combined Mortality Table with generational projection per Scale AA; the disability benefit for police and fire personnel was adjusted from the prior year's valuation to reflect the current administration of the disability benefit.

The Town does not currently issue a separate, audited GAAP basis retirement plan report for the Pension Plan of Town of West Warwick described above.

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**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**10. DEFINED CONTRIBUTION PLAN**

***Plan Description***

Certified School employees participating in the defined benefit plans (of the System), as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF and the Employees' Retirement System of Rhode Island (the System). Employees may choose among various investment options available to plan participants.

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

***Plan Funding Policy***

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 5% of his/her compensation and the Town is required to contribute 1%. The plan members and Town (School Department) contributed approximately \$1,108,400 and \$221,700, respectively, during the fiscal year ended June 30, 2013.

Although the Town (School Department) is required to contribute 1% towards the plan for certified teachers, the School Department receives reimbursement from the State of Rhode Island for .4% of 1% of the required contributions. For financial reporting purposes, the State's share of the contribution is reflected as on-behalf payments and is included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined contribution plan for the fiscal year ended June 30, 2013 amounted to approximately \$86,100.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at [www.ersri.org](http://www.ersri.org).

**11. OTHER POST EMPLOYMENT BENEFITS**

***Plan Description***

In addition to the pension benefits described in Notes 9 and 10, the Town provides post-employment health care benefits to employees in accordance with their respective collective bargaining agreements. These benefits are for continued full family or individual health care for the employee groups as described below. As of June 30, 2013 the Town has not established an OPEB Trust Fund for these benefits. The OPEB benefits include health and dental coverage.

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**11. OTHER POST EMPLOYMENT BENEFITS (Continued)**

***Eligibility***

Police officers and firefighters are eligible for lifetime retiree health benefits once they have 20 years of service (with no age requirements). Municipal employees are eligible for retiree health benefits at the earlier of 25 years of service (at any age) or age 60 with 10 years of service. Municipal employees' benefits are available until Medicare eligibility while dental benefits are available for the lifetime of the employee. Non-certified school employees are eligible for benefits at the earlier of 25 years of service (at any age) or age 60 with 20 years of service. Non-certified school employees are eligible for medical and dental benefits for a period of five years after retirement regardless of the retirees' eligibility for Medicare. School certified employees are eligible for retiree health benefits until Medicare eligibility at 15 years of service or 25 years of service or 28 years of service (with no age requirements). The cost sharing requirement differs at each eligibility requirement for School certified employees. Upon death of the retiree, coverage continues to the surviving spouse for the same duration as would have been available to the retiree.

The Town provides lifetime dental benefits to all retiree groups, with the exception of School certified personnel who retire with less than 25 years of service.

Retirees may be required to contribute towards the benefits at various levels dependent upon the terms of the respective collective bargaining agreements. Firefighters and police officers retiring prior to July 1, 2011 receive free retiree health benefits for lifetime. Municipal retirees hired prior to July 1, 2010 receive free medical benefits up to Medicare eligibility and free dental for lifetime. School certified employees retiring with 15 years of service receive free medical for 4 years after retirement until Medicare eligibility; retiring with 25 years of service they receive free medical coverage until Medicare eligibility; retiring with 28 years of service they receive free medical and dental coverage until Medicare eligibility. Non-certified school employees receive free medical and dental coverage for 5 years after retirement, if the 5 year period extends past Medicare eligibility the Town will continue to pay for medical and dental benefits for the non-certified school retirees.

***Number of Participants***

As of June 30, 2012 (most recent actuarial valuation) there were approximately 547 retirees participating with coverage. The composition of the retirees participating with coverage as of June 30, 2012 was as follows: Fire 52; Police 57; Department Head 2; Library 1; Sewer Authority 7; Municipal 78; School certified 303; and School non-certified 47. The average age of retirees with coverage was 63 at June 30, 2012. At June 30, 2012 the number of current active employees with coverage totaled approximately 528. The breakdown of active employees was as follows: Fire 59; Police 44; Library 7; Sewer Authority 18; Municipal 51; School certified 270; and School non certified 79. The average age of active employees with coverage was 43.5 at June 30, 2012.

***Funding Policy***

The Annual Required Contribution (ARC) for the post-employment benefits program consists of two components: a normal cost and a past service cost. The normal cost is the portion of the actuarial present value of the benefits and expenses which is allocated to a valuation year by the actuarial cost method (cost of benefits earned each year). The past service cost represents a catch-up accrual to amortize the unfunded liability. The Town's actuary has selected a 30 year amortization period for capturing the past service costs.

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**11. OTHER POST EMPLOYMENT BENEFITS (Continued)**

**Funding Policy (Continued)**

The ARC for the fiscal year ended June 30, 2013 was calculated as follows:

Normal cost.....	\$2,880,281
Amortization of past service cost for 30 years .....	4,381,852
Interest to end of year .....	<u>290,485</u>
<b>ARC for fiscal year ended June 30, 2013.....</b>	<b><u>\$7,552,618</u></b>

The ARC noted above was allocated \$2,258,376 to the School Department; \$2,227,240 to the Fire Department; \$2,055,569 to the Police Department; and \$1,011,433 to the other Town Departments including the Sewer Authority.

The Town's annual OPEB cost and the net OPEB obligation (NOO) as of and for the year ended June 30, 2013 was as follows:

Annual Required Contribution.....	\$ 7,552,618
Interest on NOO.....	476,775
NOO amortization adjustment to ARC.....	<u>(506,087)</u>
<b>Annual OPEB cost.....</b>	<b>7,523,306</b>
Annual employer contribution for pay-as-go .....	<u>(5,303,716)</u>
<b>Increase in NOO.....</b>	<b>2,219,590</b>
NOO at beginning of the year .....	<u>11,919,373</u>
<b>NOO at June 30, 2013.....</b>	<b><u>\$14,138,963</u></b>

The increase and the NOO for the fiscal year-ended June 30, 2013 and the NOO at June 30, 2013 are allocated as follows:

**Governmental Activities:**

Net OPEB Obligation at beginning of year .....	\$11,682,805
Increase in NOO for fiscal 2013.....	<u>2,175,070</u>
<b>NOO at June 30, 2013.....</b>	<b><u>\$13,857,875</u></b>

**Business-Type Activities – Sewer Authority:**

Net OPEB Obligation at beginning of year .....	\$236,568
Increase in NOO for fiscal 2013.....	<u>44,520</u>
<b>NOO at June 30, 2013.....</b>	<b><u>\$281,088</u></b>

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**11. OTHER POST EMPLOYMENT BENEFITS (Continued)**

**Trend Information**

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Contributed</u>	<u>Net OPEB Obligation</u>	<u>Employer Contributions</u>
2011	\$7,503,709	56.4%	\$9,255,309	\$4,231,074
2012	\$7,529,858	64.6%	\$11,919,373	\$4,865,794
2013	\$7,523,306	70.5%	\$14,138,963	\$5,303,716

**Funded Status of Plan**

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the OPEB benefits with a valuation date of July 1, 2011 which is the most recent report available.

Actuarial value of assets - \$0	Actuarial Accrued Liability (AAL) - \$107,329,661
Unfunded AAL - \$107,329,661	Funded Ratio - 0.00%
Covered Payroll - Not Applicable	Unfunded AAL as % of Payroll - Not Applicable

**Actuarial Assumptions**

The following actuarial assumptions were utilized in completing the actuarial valuation as of July 1, 2011:

- A. **Measurement Date:** June 30, 2012; results were actuarially rolled-back to July 1, 2011 on a "no gain/loss" basis.
- B. **Discount Rate:** 4% unfunded
- C. **Payroll Growth:** 3.5% for valuation purposes; 2.5% for amortization purposes.
- D. **Cost Method:** Entry Age Normal Level % Salary
- E. **Amortization:** Level percentage of payroll over 30 years based on open group.
- F. **Employer Funding Policy:** Pay-as-you-go cash basis
- G. **Health Care Coverage Election Rate:** 100% active employees with current coverage are assumed continued at retirement. 100% of retirees with current coverage are assumed to continue coverage.
- H. **Spouse Coverage:** 85% of employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives. All retirees who currently have family coverage are assumed to have spouses.
- I. **Mortality:** RP-2000 Healthy Mortality Table fully generational projected using Scale AA.
- J. **Health Care Trend Rates:** 2013 medical and dental 9% and 5% respectively; 2014 medical and dental 8.5% and 4.75%, respectively. Trends for medical continue to decrease in 2015 through 2021 by .5% annually going from 8% to 5%. While dental trends decrease from 4.5% in 2015 to 4.25% in 2016 and 4.0% for 2017 through 2021.

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**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**12. RISK MANAGEMENT**

The Town of West Warwick is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees and natural disasters. As a result, the Town participates in a non-profit, public entity risk pool (Rhode Island Inter-local Risk Management Trust, Inc.) that provides coverage for property/liability claims and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement that outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The policy is not retrospectively rated, but rather, premiums are based on the ultimate cost of the groups experience to date. The pool is allowed to make additional assessments for claims that are reasonably possible and estimable.

The Trust provides this insurance coverage through a pooled, self-insurance mechanism, which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above losses the Trust retains internally for payment from the pooled contributions of its Members. Under the participation agreement, the Town is insured for a maximum of \$5,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years, and are not expected to increase the Trust coverage in future fiscal years. There were no reductions in the insurance coverage during the fiscal year up to and through the date of this report.

**Health Care**

The Town has a cost-plus financing plan in order to finance the costs of its health and dental insurance benefits. Under this cost-plus plan the Town pays for the actual cost of covered health care and dental services plus a fee to the provider for the administration of the program.

The Town currently maintains stop loss insurance to protect the taxpayers from catastrophic loss resulting from excessive health insurance claims. At June 30, 2013 the stop loss insurance contract covered all claims exceeding \$175,000 per individual on an annual basis.

The Town's Finance Department oversees the self-insured program for all employees and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island (Plan Administrator). At June 30, 2013 the Town has estimated a liability for incurred but not reported claims (IBNR) based on actual claims paid subsequent to year end but related to claims incurred prior to July 1, 2013. Approximate changes in the balances of self-insured claims liabilities as of and during the year ended June 30, 2013 were as follows:

Incurring but not reported claims (IBNR), June 30, 2012 .....	\$ 768,447
Approximate amount of incurred claims.....	11,564,478
Paid claims including amount in accounts payable at June 30, 2013 .....	<u>(11,738,852)</u>
<b>Estimated IBNR Claims outstanding at June 30, 2013.....</b>	<b><u>\$ 594,073</u></b>

The IBNR claims outstanding at June 30, 2013 are comprised of approximately \$218,559 and \$375,514 related to Town and School employees, respectively.

At June 30, 2013 the Town has a deposit with the Plan Administrator totaling \$240,600. This deposit was required as part of the contract with the Plan Administrator to ensure reimbursement of claims is made in a timely manner. This deposit has been classified as a prepaid expenditure of the General Fund and as such has been included in non-spendable fund balance in the governmental activities of the Fund Statements.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**12. RISK MANAGEMENT (Continued)**

***Unemployment***

The Town is self-insured for unemployment benefits. As of June 30, 2013 management does not believe that there are any incurred but not reported claims that are required to be accrued in the Fund Statements of the Government-Wide Statement of Net Position.

**13. COMMITMENTS AND CONTINGENCIES**

Liabilities for legal cases and other claims against governmental funds are recorded in the governmental funds when the ultimate liability can be estimated and such cases are expected to be settled with available expendable financial resources. The government-wide statements would include all estimated claims regardless of when they are expected to be settled. At June 30, 2013 the Town (including the School Department) had a number of legal cases and claims in process. These cases include claims made by former employees, zoning matters brought about by taxpayers of the Town, matters pertaining to planning and development posed by property developers, and personal injury and property damage claims. Management and legal counsel have reviewed these outstanding claims and determined that the estimated liability, if any, that may result from these claims would not materially affect the basic financial statements of the Town. As such, the Statement of Net Position at June 30, 2013 does not include any liability for claims, judgments, or unasserted claims.

The Town (including the School Department) has received grants from various federal and state agencies for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grant agreement. Town officials are of the opinion that such disallowances, if any, would be immaterial.

**14. RESTATEMENT**

The net positions of the Governmental and Business-Type Activities have been restated as of June 30, 2012 to reflect the implementation of GASB Statement Number 65 – *Items Previously Reported as Assets and Liabilities*. Implementation of this new Standard resulted in the removal of bond issuance costs as an asset from the Statement of Net Position (formerly the Statement of Net Assets). Under GASB Statement Number 65 bond issuance costs, excluding bond insurance costs, are to be recorded as an expense in the year the costs are incurred rather than amortizing those costs over the life of the bond obligation. As a result, the unamortized bond issuance costs as of June 30, 2012 totaling \$395,335 and \$351,944 for the Governmental Activities and Business-Type Activities, respectively, have been retroactively removed from the opening net position balance.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**14. RESTATEMENT (Continued)**

In addition to the restatement resulting from the change in accounting principles noted above, the Net Position of the Governmental Activities and Business-Type Activities as well as the Fund Balance of the Governmental Funds have been restated as of June 30, 2012 to reflect the correction of errors and reclassification of fund types. The following reflects the restatement of the Net Position and Fund Equity balances as of June 30, 2012:

**Governmental Activities:**

<b>Net Position, June 30, 2012 as originally stated</b> .....	(\$25,642,386)
Change in accounting principles for bond issuance costs .....	(395,335)
Overstatement of Net OPEB Obligation .....	236,568
Understatement of EMS Rescue receivable, net .....	196,000
Understatement of investments restricted for debt service .....	121,125
Overstatement of net position deficit in CDBG Fund .....	151,153
Understatement of Drug Evidence Fund net position .....	94,486
Overstatement of net position other grant funds .....	(55,710)
Understatement of School compensated absences .....	(2,590,883)
Reclassify School Lunch Fund to Business-Activities .....	(697,404)
Understatement of liability for health insurance claims .....	(384,532)
Understatement of Intergovernmental receivables .....	18,007
<b>Net Position, June 30, 2012 as restated</b> .....	<u>(\$28,948,911)</u>

**Business-Type Activities:**

<b>Net Position, June 30, 2012 as originally stated</b> .....	\$60,682,932
Change in accounting principles for bond issuance costs .....	(351,944)
Understatement of Net OPEB Obligation .....	(236,568)
Understatement of intermunicipal debt service assessments receivable .....	6,631,470
Overstatement of unearned assessments liability .....	3,679,783
Opening net position for School Lunch Program .....	775,913
<b>Net Position, June 30, 2012 as restated</b> .....	<u>\$71,181,586</u>

**Governmental Funds:**

<b>Fund Balance, June 30, 2012 as originally stated</b> .....	\$6,938,725
Understatement of liability for health insurance claims .....	(384,532)
Understatement of investments restricted for debt service .....	121,125
Overstatement of net position deficit in CDBG Fund .....	151,153
Understatement of Drug Evidence Fund fund balance .....	94,486
Overstatement of fund balance other grant funds .....	(55,710)
Reclassify School Lunch Fund to Business-Activities .....	(697,404)
Understatement of Intergovernmental receivables .....	18,007
<b>Fund Balance, June 30, 2012 as restated</b> .....	<u>\$6,185,850</u>

(CONTINUED)



TOWN OF WEST WARWICK, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**14. RESTATEMENT (Continued)**

**Business-Type Activities – Enterprise Funds:**

**Sewer Authority - Fund Balance, June 30, 2012**

<b>as originally stated</b> .....	\$60,611,283
Change in accounting principles for bond issuance costs .....	(351,944)
Understatement of Net OPEB Obligation .....	(236,568)
Understatement of intermunicipal debt service assessments receivable – receivable not recorded .....	6,631,470
Overstatement of unearned assessments liability – amount was reported as unearned revenue but should have been reported as revenue when assessed .....	<u>3,679,783</u>
<b>Net Position, June 30, 2012 as restated</b> .....	<u>\$70,334,024</u>

**School Lunch Program - Fund Balance, June 30, 2012**

<b>as originally stated</b> .....	\$ 0
Reclassification of fund type.....	<u>775,913</u>
<b>Net Position, June 30, 2012 as restated</b> .....	<u>\$ 775,913</u>

**Fiduciary Funds:**

**Employee Retirement Trust Fund, Fund Balance**

<b>June 30, 2012, as originally stated</b> .....	\$28,652,247
Understatement of employer contribution receivable.....	<u>250,000</u>
<b>Net Position, June 30, 2012 as restated</b> .....	<u>\$28,902,247</u>

**15. SUBSEQUENT EVENTS**

During fiscal 2014, Management, working in conjunction with the State of Rhode Island Department of Revenue in an unofficial capacity, developed a Five Year Budget Plan and Pension Funding Improvement Plan (FIP) based on successfully negotiated concessions from its labor groups and retirees, as well as voter approved tax increases. The Five Year Budget Plan, FIP, Five Year Union Contracts, and an agreement with the retirees were all approved and adopted by the Town Council.

The Town has also made broad changes to its health plans and negotiated higher employee and future retiree contributions. The pension and health care reforms were part of the Town's plan to reduce its long-term liabilities and achieve full funding of the annual required contribution (ARC) for its' Town administered pension plan. The Town plan was only 17% funded as of July 1, 2013 and had an unfunded liability of \$128 million. The agreed upon reforms, including suspension of cost-of-living adjustments (COLAs) for the next five fiscal years, resulted in a reduction of the ARC from \$10.7 million to \$8 million for fiscal 2015 and lowered the future annual rate of growth in the ARC. The reduction will allow the Town to achieve 100% funding of the ARC commencing in Fiscal 2015. Additionally, an increase in the Town's annual funding of other post-employment benefit (OPEB) costs above pay-as-you-go is expected for Fiscal 2016 and future years as part of the Five Year Budget Plan. The pension and OPEB changes were part of five-year employment contracts with its labor groups, effective July 1, 2014. Employees agreed to no salary increases over this period, with wage re-opener clauses in years four and five in the event the Town meets certain financial improvement thresholds.

On June 10, 2014, Fitch Ratings affirmed the Town's BBB- rating and removed the Town's GO rating from Rating Watch Negative and assigned a Stable Rating Outlook. In their words, "Management was recently successful in achieving substantial employee and retiree concessions to rein in increasing long-term retiree costs. Voters approved the changes along with the Town's fiscal 2015 budget last month."

(CONCLUDED)

# TOWN OF WEST WARWICK

## REQUIRED SUPPLEMENTARY INFORMATION



**TOWN OF WEST WARWICK, RHODE ISLAND**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Revenues</u>	<u>Positive (Negative) Variance</u>
<b>General property taxes</b>				
Property taxes	\$ 53,647,677	\$ 53,647,677	\$ 53,596,169	\$ (51,508)
PILOT - WW Housing Authority	43,000	43,000	59,053	16,053
Penalty & interest on taxes	450,000	450,000	448,581	(1,419)
<b>Total general property taxes</b>	<u>54,140,677</u>	<u>54,140,677</u>	<u>54,103,803</u>	<u>(36,874)</u>
<b>Intergovernmental revenues</b>				
State aid for education	18,295,084	18,295,084	18,367,852	72,768
School - Other	1,384,504	1,384,504	1,384,504	-
Library construction aid	63,000	63,000	90,377	27,377
School housing aid	982,019	982,019	994,868	12,849
State meals tax	350,411	350,411	316,903	(33,508)
State hotel tax	128,000	128,000	87,580	(40,420)
Distressed communities	817,916	817,916	817,916	-
Motor vehicle phase-out	223,933	223,933	213,265	(10,668)
Public utilities tax	328,554	328,554	366,504	37,950
<b>Total intergovernmental revenues</b>	<u>22,573,421</u>	<u>22,573,421</u>	<u>22,639,769</u>	<u>66,348</u>
<b>Interest income:</b>				
Interest - short-term investments	30,000	30,000	10,738	(19,262)
<b>Departmental &amp; miscellaneous:</b>				
Town Clerk	500,000	500,000	528,792	28,792
Building Official	200,000	200,000	213,558	13,558
DPW/Recycling	7,000	7,000	36,152	29,152
Planning & CDBG	3,000	3,000	8,920	5,920
Police department	225,000	225,000	5,831	(219,169)
Municipal Court	10,000	10,000	2,573	(7,427)
Fire Rescue Fees	850,000	850,000	828,259	(21,741)
Fire plans review	18,000	18,000	16,333	(1,667)
Road opening permit - Zoning Board	6,000	6,000	4,374	(1,626)
Field rentals - Parks and Recreation	7,500	7,500	15,645	8,145
Sewer administrative fees	311,650	311,650	311,650	-
School crossing guards	35,000	35,000	74,976	39,976
Civic center	126,000	126,000	126,000	-
Employee co-pay	200,000	200,000	380,914	180,914
Other revenue- lien certificates, permits etc.	-	-	297,682	297,682
Miscellaneous	20,000	20,000	128,807	108,807
<b>Total departmental revenues</b>	<u>2,519,150</u>	<u>2,519,150</u>	<u>2,980,466</u>	<u>461,316</u>
<b>Total revenues before other financing sources</b>	<u>79,263,248</u>	<u>79,263,248</u>	<u>79,734,776</u>	<u>471,528</u>
<b>Other financing sources</b>				
Appropriated fund balance	376,139	1,462,539	631,999	(830,540)
<b>Total other financing sources</b>	<u>376,139</u>	<u>1,462,539</u>	<u>631,999</u>	<u>(830,540)</u>
<b>Total revenue and other financing sources</b>	<u>79,639,387</u>	<u>80,725,787</u>	<u>80,366,775</u>	<u>(359,012)</u>

(Continued)

**TOWN OF WEST WARWICK, RHODE ISLAND**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual Expenditures	Positive (Negative) Variance
<b>General Government:</b>				
FICA expense	\$ 1,053,000	\$ 1,053,000	\$ 1,064,047	\$ (11,047)
Sell back	100,000	100,000	0	100,000
Retirement - Severance	100,000	100,000	241,723	(141,723)
Excess loss	163,039	163,039	0	163,039
Dental	497,700	497,700	425,755	71,945
Health	4,403,031	4,403,031	4,863,229	(460,198)
Life Insurance	17,500	17,500	11,009	6,491
Pension	2,165,724	2,165,724	2,156,608	9,116
ICMA Contribution	8,500	8,500	8,350	150
Workers Compensation	350,000	350,000	367,557	(17,557)
General Liability	345,000	345,000	378,780	(33,780)
Ambulance expense	110,500	110,500	53,411	57,089
RI League of Cities and Towns	11,776	11,776	11,776	-
Unemployment expense	70,000	70,000	39,812	30,188
Pawtuxet River Authority	5,000	5,000	5,000	-
Telephone	45,000	45,000	38,529	6,471
Computer Services	70,000	70,000	69,999	1
Advertising	40,000	40,000	45,764	(5,764)
Cafeteria Plan Pay	-	-	44,831	(44,831)
Postage	-	10,000	20,400	(10,400)
Negotiation specialist	-	30,000	105,344	(75,344)
Nyhart - Actuary expenditure	-	35,000	144,652	(109,652)
Consulting Engineering services	-	-	73,280	(73,280)
Bank/Miscellaneous charges	-	-	9,472	(9,472)
Annual AV fees	10,000	10,000	9,820	180
<b>Total General Government</b>	<b>9,565,770</b>	<b>9,640,770</b>	<b>10,189,148</b>	<b>(548,378)</b>
<b>Public Works:</b>				
Salaries and wages	1,405,206	1,405,206	1,282,813	122,393
Supplies and expenses	80,000	80,000	81,194	(1,194)
Major needs - winter	175,000	175,000	113,546	61,454
Solid Waste	350,000	350,000	336,576	13,424
Petroleum	105,000	105,000	186,897	(81,897)
Fleet Maintenance	183,500	183,500	170,521	12,979
Trash Removal	678,498	678,498	676,044	2,454
Construction & drainage	100,000	100,000	158,983	(58,983)
Other costs	97,000	97,000	70,564	26,436
<b>Total Public Works</b>	<b>3,174,204</b>	<b>3,174,204</b>	<b>3,077,138</b>	<b>97,066</b>

(Continued)

**TOWN OF WEST WARWICK, RHODE ISLAND**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual Expenditures	Positive (Negative) Variance
<b>Public Safety:</b>				
Police Department	5,289,845	5,289,845	5,231,881	57,964
Fire Department	6,286,386	6,286,386	6,390,906	(104,520)
<b>Total Public Safety</b>	<b>11,576,231</b>	<b>11,576,231</b>	<b>11,622,787</b>	<b>(46,556)</b>
<b>Senior Center:</b>				
West Warwick Senior Center	143,000	143,000	143,000	-
<b>Capital:</b>				
Town Hall improvements	80,000	80,000	48,503	31,497
Lease fire truck	64,645	64,645	64,645	-
Civic Center fire upgrades	-	400,000	-	400,000
River Point Park Phase III	-	200,000	-	200,000
Recreation - Handicap Accessibility	-	75,000	-	75,000
Police capital	82,000	104,500	49,666	54,834
Fire capital	75,000	75,000	60,348	14,652
DPW - Capital Miscellaneous	-	131,900	131,900	-
Finance capital	9,000	9,000	7,268	1,732
<b>Total Capital</b>	<b>310,645</b>	<b>1,140,045</b>	<b>362,330</b>	<b>777,715</b>
<b>Debt Service:</b>				
Redemption of Bonds and Notes	2,627,886	2,627,886	2,588,046	39,840
Bond payment - Fire Upgrades Schools	-	150,000	-	150,000
Financing cost and other use	17,500	17,500	12,350	5,150
<b>Total Debt Service</b>	<b>2,645,386</b>	<b>2,795,386</b>	<b>2,600,396</b>	<b>194,990</b>
<b>Library:</b>				
Salaries and wages	399,731	399,731	378,764	20,967
FICA expense	28,270	28,270	28,452	(182)
Unemployment insurance	-	-	16,957	(16,957)
Medical	32,946	32,946	49,315	(16,369)
Pension	50,000	50,000	50,000	-
Books	21,466	21,466	2,125	19,341
Membership	20,000	20,000	19,990	10
Building maintenance	11,250	11,250	11,240	10
Utilities	56,167	56,167	43,901	12,266
Miscellaneous	12,170	12,170	35,674	(23,504)
<b>Total Library</b>	<b>632,000</b>	<b>632,000</b>	<b>636,418</b>	<b>(4,418)</b>

(Continued)

**TOWN OF WEST WARWICK, RHODE ISLAND**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Positive (Negative) Variance</u>
<b>Other Expenditures:</b>				
Town Manager	185,601	207,601	212,499	(4,898)
Town Planner	89,000	89,000	81,386	7,614
Town Council	41,000	51,000	47,813	3,187
Town Clerk	237,044	237,044	221,693	15,351
Board of Canvassers	91,351	91,351	93,592	(2,241)
Legal	247,500	247,500	371,084	(123,584)
EMA	4,750	4,750	3,750	1,000
Town Sargeant	700	700	600	100
Finance	311,025	311,025	270,997	40,028
Tax collector	189,369	189,369	186,297	3,072
Tax assessor	475,671	475,671	423,719	51,952
Board of assessment review	1,860	1,860	1,314	546
Recycling	208,822	208,822	194,970	13,852
Town Engineer	21,000	21,000	10,808	10,192
Street lighting	385,000	385,000	366,929	18,071
Buidling official	356,341	356,341	286,275	70,066
Zoning	4,550	4,550	1,802	2,748
Housing Board	1,800	1,800	875	925
Parks	231,041	231,041	228,894	2,147
<b>Total Other Expenditures</b>	<u>3,083,425</u>	<u>3,115,425</u>	<u>3,005,297</u>	<u>110,128</u>
<b>Other Financing Uses:</b>				
Transfer to School Department	<u>48,508,726</u>	<u>48,508,726</u>	<u>48,852,356</u>	<u>(343,630)</u>
<b>Total Expenditures and other financing uses</b>	<u>79,639,387</u>	<u>80,725,787</u>	<u>80,488,870</u>	<u>236,917</u>
<b>Deficiency of revenues and other financing sources</b>				
<b>under expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (122,095)</u>	<u>\$ (122,095)</u>

(Concluded)

**TOWN OF WEST WARWICK, RHODE ISLAND****Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
School Unrestricted Fund - Budgetary Basis**

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
State aid - Intergovernmental	\$ 19,775,027	\$ 19,775,027	\$ 19,752,356	\$ (22,671)
Medicaid	450,000	450,000	526,938	76,938
Other revenues	70,000	70,000	163,817	93,817
<b>Total revenues</b>	<u>20,295,027</u>	<u>20,295,027</u>	<u>20,443,111</u>	<u>148,084</u>
<b>Expenditures:</b>				
Salaries	27,763,200	27,814,697	27,656,664	158,033
Employee benefits	14,162,627	14,162,627	13,502,298	660,329
Purchased services	5,880,000	5,880,000	5,473,025	406,975
Supplies and materials	1,447,300	1,447,300	1,079,544	367,756
Other	41,000	41,000	43,396	(2,396)
Capital outlay	100,900	49,403	117,916	(68,513)
<b>Total expenditures</b>	<u>49,395,027</u>	<u>49,395,027</u>	<u>47,872,843</u>	<u>1,522,184</u>
<b>Excess of revenues over (under) expenditures before other financing sources (uses)</b>	<u>(29,100,000)</u>	<u>(29,100,000)</u>	<u>(27,429,732)</u>	<u>1,670,268</u>
<b>Other financing sources (uses):</b>				
Operating transfer from Town appropriation	29,100,000	29,100,000	29,100,000	-
<b>Total other financing sources (uses)</b>	<u>29,100,000</u>	<u>29,100,000</u>	<u>29,100,000</u>	<u>-</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,670,268</u>	<u>\$ 1,670,268</u>

**TOWN OF WEST WARWICK, RHODE ISLAND**

**Required Supplementary Information  
Schedule of Funding Progress For Pension Plans  
June 30, 2013  
UNAUDITED**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Accrued Liability as a Percentage of Covered Payroll
<b>Pension Plan of the Town of West Warwick</b>	7/1/2008	\$ 44,536,601	\$ 112,769,635	\$ (68,233,034)	39.5%	\$ 17,047,080	-400.3%
	7/1/2009	\$ 35,588,039	\$ 119,658,016	\$ (84,069,977)	29.7%	\$ 16,891,909	-497.7%
	7/1/2010	\$ 35,007,723	\$ 133,014,168	\$ (98,006,445)	26.3%	\$ 16,303,378	-601.1%
	7/1/2011	\$ 34,278,146	\$ 144,368,994	\$ (110,090,848)	23.7%	\$ 15,164,989	-726.0%
	7/1/2012	\$ 28,421,048	\$ 143,760,373	\$ (115,339,325)	19.8%	\$ 14,855,258	-776.4%
	7/1/2013	\$ 26,428,505	\$ 154,588,604	\$ (128,160,099)	17.1%	\$ 13,956,326	-918.3%

Fiscal Year Ending	Annual Required Contributions	Employer Funding Contributions	Percentage Contributed	Net Pension Obligation
6/30/2008	\$ 4,082,436	\$ 2,279,340	55.8%	\$ 21,458,620
6/30/2009	\$ 4,676,096	\$ 1,000,000	21.4%	\$ 25,540,416
6/30/2010	\$ 5,799,056	\$ 2,500,000	43.1%	\$ 29,247,260
6/30/2011	\$ 6,912,110	\$ 1,289,098	18.6%	\$ 35,273,050
6/30/2012	\$ 8,708,689	\$ 1,100,592	12.6%	\$ 43,279,369
6/30/2013	\$ 9,264,065	\$ 5,301,352	57.2%	\$ 47,950,972

Prior to July 1, 2000 the actuarial funding method was the Frozen Entry Age Normal Cost Method. As of July 1, 2000, the funding method changed to the Entry Age Normal Cost Method as defined by Statement #27 of the Governmental Accounting Standards Board. Under this method, the excess of the entry-age actuarial accrued liability over the actuarial value of plan assets is amortized over a 25 year closed period as a level % of pay.



**TOWN OF WEST WARWICK, RHODE ISLAND**

**Required Supplementary Information  
Schedule of Funding Progress OPEB Plan  
June 30, 2013  
UNAUDITED**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
<b>Town of West Warwick -</b>							
<b>Other Post-Employment Benefit Program</b>							
	7/1/2008	\$ -	\$ 136,587,286	\$ (136,587,286)	0%	N/A	N/A
	7/1/2010	\$ -	\$ 85,956,352	\$ (85,956,352)	0%	N/A	N/A
	7/1/2011	\$ -	\$ 107,329,661	\$ (107,329,661)	0%	N/A	N/A

**The unfunded actuarial accrued liability (UAAL) at July 1, 2011 is attributable to the following departments of the Town:**

Department head	\$ 123,387
School Department	29,510,996
Fire Department	31,602,756
Police Department	29,140,924
General Municipal	14,677,594
Library	143,438
Sewer Department	2,130,566
<b>Total UAAL</b>	<b>\$ 107,329,661</b>

**The following represents the Annual Required Contributions and the Net OPEB Obligation:**

Fiscal Year Ending	Annual Required Contributions	Annual OPEB Cost	Employer Contributions	Net OPEB Obligation
6/30/2012	\$ 7,552,618	\$ 7,529,858	\$ 4,865,794	\$ 11,919,373
6/30/2013	\$ 7,552,618	\$ 7,523,306	\$ 5,303,716	\$ 14,138,963

**The information included in this schedule of funding progress was obtained from the actuarial valuation report dated March 8, 2013 prepared by the Town's Actuary. This valuation as of July 1, 2011 is the most recent report available.**

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# **TOWN OF WEST WARWICK**

## **OTHER SUPPLEMENTARY INFORMATION**



# TOWN OF WEST WARWICK

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for proceeds of specific revenues sources that are committed or restricted to expenditures for specific purposes other than debt service or capital projects. The following special revenue funds are reported as nonmajor governmental funds.

- Tricentennial Committee
- Benjamin R. Vaughn
- Planning Challenge Grant
- Bramley Bill Fund
- Riverwalk Fund
- Open Space Recreation
- JAG ARRA Fund
- JAG Fund
- Meds Contract Fund
- Economic Development Revolving Loan Fund
- Library Grants
- Homeland Security
- Community Development Block Grant
- FEMA Fund
- Revolving Fund
- DARE Fund
- Drug Evidence Fund
- Tower Rent Revolving Fund
- Police Detail Car Fund
- CDBG Disaster Recovery
- Economic Development Administration
- OPEB Contributions
- School Restricted Funds

(CONTINUED)

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# TOWN OF WEST WARWICK

## NONMAJOR GOVERNMENTAL FUNDS (Continued)

### CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition of capital facilities and other capital assets. The following capital project funds are reported as nonmajor governmental funds.

- **EMS Rescue Fund**
- **School QZAB Bond Fund**
- **School Fire Code Renovations Fund**
- **Road Bond Fund**

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**TOWN OF WEST WARWICK, RHODE ISLAND**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2013**

	<b>SPECIAL REVENUE FUNDS</b>							
	<u>Tricentennial Committee</u>	<u>Benjamin R. Vaughn</u>	<u>Planning Challenge Grant</u>	<u>Bramley Bill Fund</u>	<u>Riverwalk Fund</u>	<u>Open Space Recreation</u>	<u>JAG ARRA Fund</u>	<u>JAG Fund</u>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,009	\$ 1,101						
Investments								
Accounts and other receivable								
Due from federal & state governments				\$ 9,836		\$ 2,031	\$ 5,699	\$ 2,865
Due from other funds								
<b>TOTAL ASSETS</b>	<b>\$ 1,009</b>	<b>\$ 1,101</b>	<b>\$ -</b>	<b>\$ 9,836</b>	<b>\$ -</b>	<b>\$ 2,031</b>	<b>\$ 5,699</b>	<b>\$ 2,865</b>
<b>LIABILITIES</b>								
Accounts payable and accrued expenses								
Due to federal & state governments								
Due to other funds					\$ 71,542			
Unearned revenue								
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 71,542</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FUND BALANCES</b>								
Restricted	1,009	1,101	-	9,836	-	-	5,699	2,865
Committed	-	-	-	-	-	2,031	-	-
Unassigned	-	-	-	-	(71,542)	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>1,009</b>	<b>1,101</b>	<b>-</b>	<b>9,836</b>	<b>(71,542)</b>	<b>2,031</b>	<b>5,699</b>	<b>2,865</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,009</b>	<b>\$ 1,101</b>	<b>\$ -</b>	<b>\$ 9,836</b>	<b>\$ -</b>	<b>\$ 2,031</b>	<b>\$ 5,699</b>	<b>\$ 2,865</b>

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2013

	<b>SPECIAL REVENUE FUNDS</b>							
	Meds Contract Fund	Economic Development Revolving Loan Fund	Library Grants	Homeland Security	Community Development Block Grant	FEMA Fund	Revolving Fund	DARE Fund
<b>ASSETS</b>								
Cash and cash equivalents		\$ 15,865	\$ 153,875					\$ 12,667
Investments			341,249					
Accounts and other receivable								
Due from federal & state governments					\$ 117,038	\$ 95,457		
Due from other funds	\$ 4,500		5,064				\$ 320,746	
<b>TOTAL ASSETS</b>	<b>\$ 4,500</b>	<b>\$ 15,865</b>	<b>\$ 500,188</b>	<b>\$ -</b>	<b>\$ 117,038</b>	<b>\$ 95,457</b>	<b>\$ 320,746</b>	<b>\$ 12,667</b>
<b>LIABILITIES</b>								
Accounts payable and accrued expenses								
Due to federal & state governments								
Due to other funds			\$ 146,886	\$ 924	\$ 55,962	\$ 95,457		
Unearned revenue					61,076	-		
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>146,886</b>	<b>924</b>	<b>117,038</b>	<b>95,457</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FUND BALANCES</b>								
Restricted	4,500	15,865	353,302	-	-	-		12,667
Committed	-	-	-	-	-	-	320,746	-
Unassigned	-	-	-	(924)	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>4,500</b>	<b>15,865</b>	<b>353,302</b>	<b>(924)</b>	<b>-</b>	<b>-</b>	<b>320,746</b>	<b>12,667</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,500</b>	<b>\$ 15,865</b>	<b>\$ 500,188</b>	<b>\$ -</b>	<b>\$ 117,038</b>	<b>\$ 95,457</b>	<b>\$ 320,746</b>	<b>\$ 12,667</b>

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2013**

	<b>SPECIAL REVENUE FUNDS</b>							
	Drug Evidence Fund	Tower Rent Revolving Fund	Police Detail Car Fund	CDBG Disaster Recovery	Economic Development Administration	OPEB Contributions	School Restricted Funds	Total Special Revenue Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 148,095							\$ 332,612
Investments								341,249
Accounts and other receivable							\$ 13,773	13,773
Due from federal & state governments				\$ 3,094	\$ 15,086		956,265	1,186,940
Due from other funds		\$ 45,852	\$ 49,023			\$ 99,504	64,040	609,160
<b>TOTAL ASSETS</b>	<b>\$ 148,095</b>	<b>\$ 45,852</b>	<b>\$ 49,023</b>	<b>\$ 3,094</b>	<b>\$ 15,086</b>	<b>\$ 99,504</b>	<b>\$ 1,034,078</b>	<b>\$ 2,483,734</b>
<b>LIABILITIES</b>								
Accounts payable and accrued expenses							\$ 35,189	\$ 35,189
Due to federal & state governments	\$ 58,000							58,000
Due to other funds				\$ 3,094	\$ 15,086		890,146	1,279,097
Unearned revenue								61,076
<b>TOTAL LIABILITIES</b>	<b>58,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>3,094</b>	<b>15,086</b>	<b>\$ -</b>	<b>925,335</b>	<b>1,433,362</b>
<b>FUND BALANCES</b>								
Restricted	90,095	45,852	-			99,504	108,743	751,038
Committed			49,023					371,800
Unassigned								(72,466)
<b>TOTAL FUND BALANCES</b>	<b>90,095</b>	<b>45,852</b>	<b>49,023</b>	<b>-</b>	<b>-</b>	<b>99,504</b>	<b>108,743</b>	<b>1,050,372</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 148,095</b>	<b>\$ 45,852</b>	<b>\$ 49,023</b>	<b>\$ 3,094</b>	<b>\$ 15,086</b>	<b>\$ 99,504</b>	<b>\$ 1,034,078</b>	<b>\$ 2,483,734</b>

(CONTINUED)



**TOWN OF WEST WARWICK, RHODE ISLAND**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2013**

	<b>CAPITAL PROJECT FUNDS</b>					<b>Total NonMajor Governmental Funds</b>
	<b>EMS Rescue Fund</b>	<b>School QZAB Bond Fund</b>	<b>School Fire Code Renovations Fund</b>	<b>Road Bond Fund</b>	<b>Total Capital Project Funds</b>	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 227,621				\$ 227,621	\$ 560,233
Investments					-	341,249
Accounts and other receivable					-	13,773
Due from federal & state governments					-	1,186,940
Due from other funds	61,839	\$ 7,419	\$ 779		70,037	679,197
<b>TOTAL ASSETS</b>	<b>\$ 289,460</b>	<b>\$ 7,419</b>	<b>\$ 779</b>	<b>\$ -</b>	<b>\$ 297,658</b>	<b>\$ 2,781,392</b>
<b>LIABILITIES</b>						
Accounts payable and accrued expenses			\$ 184		\$ 184	\$ 35,373
Due to federal & state governments					-	58,000
Due to other funds				\$ 31,444	31,444	1,310,541
Unearned revenue					-	61,076
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>184</b>	<b>31,444</b>	<b>31,628</b>	<b>1,464,990</b>
<b>FUND BALANCES</b>						
Restricted	-	7,419	595	-	8,014	759,052
Committed	289,460	-	-	-	289,460	661,260
Unassigned	-	-	-	(31,444)	(31,444)	(103,910)
<b>TOTAL FUND BALANCES</b>	<b>289,460</b>	<b>7,419</b>	<b>595</b>	<b>(31,444)</b>	<b>266,030</b>	<b>1,316,402</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 289,460</b>	<b>\$ 7,419</b>	<b>\$ 779</b>	<b>\$ -</b>	<b>\$ 297,658</b>	<b>\$ 2,781,392</b>

(CONCLUDED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2013**

	<b>SPECIAL REVENUE FUNDS</b>							
	<u>Tricentennial Committee</u>	<u>Benjamin R. Vaughn</u>	<u>Planning Challenge Grant</u>	<u>Bramley Bill Fund</u>	<u>Riverwalk Fund</u>	<u>Open Space Recreation</u>	<u>JAG ARRA Fund</u>	<u>JAG Fund</u>
<b>REVENUES:</b>								
Intergovernmental				\$ 8,579				\$ 4,575
Fees, Fines, Charges and Assessments						\$ 12,500		
Interest and investment income								
Contributions and grants			\$ 7,619					
Other								
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>7,619</b>	<b>8,579</b>	<b>\$ -</b>	<b>12,500</b>	<b>\$ -</b>	<b>4,575</b>
<b>EXPENDITURES:</b>								
Current:								
Public safety	-	-	-	12,946	-	-	-	1,710
Public services	-	-	4,293	-	-	-	-	-
Library								
Public assistance, development, & recreation	-	-	-	-	-	10,392	-	-
Education	-	-	-	-	-	-	-	-
Capital outlays								
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>4,293</b>	<b>12,946</b>	<b>-</b>	<b>10,392</b>	<b>-</b>	<b>1,710</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>-</b>	<b>3,326</b>	<b>(4,367)</b>	<b>-</b>	<b>2,108</b>	<b>-</b>	<b>2,865</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers out	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>3,326</b>	<b>(4,367)</b>	<b>-</b>	<b>2,108</b>	<b>-</b>	<b>2,865</b>
<b>Fund balances, beginning of year</b>	<b>1,009</b>	<b>1,101</b>	<b>(3,326)</b>	<b>14,203</b>	<b>(71,542)</b>	<b>(77)</b>	<b>5,699</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 1,009</b>	<b>\$ 1,101</b>	<b>\$ -</b>	<b>\$ 9,836</b>	<b>\$ (71,542)</b>	<b>\$ 2,031</b>	<b>\$ 5,699</b>	<b>\$ 2,865</b>

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2013**

	<b>SPECIAL REVENUE FUNDS</b>							
	<u>Meds Contract Fund</u>	<u>Economic Development Revolving Loan Fund</u>	<u>Library Grants</u>	<u>Homeland Security</u>	<u>Community Development Block Grant</u>	<u>FEMA Fund</u>	<u>Revolving Fund</u>	<u>DARE Fund</u>
<b>REVENUES:</b>								
Intergovernmental			\$ 81,481	\$ 924	\$ 284,809	\$ 103,214		
Fees, Fines, Charges and Assessments			20,455				\$ 426,378	
Interest and investment income			23,610					
Contributions and grants	\$ 4,500		70,401					
Other								\$ 6,277
<b>Total revenues</b>	<u>4,500</u>	<u>\$ -</u>	<u>195,947</u>	<u>924</u>	<u>284,809</u>	<u>103,214</u>	<u>426,378</u>	<u>6,277</u>
<b>EXPENDITURES:</b>								
<b>Current:</b>								
Public safety				1,848			365,407	
Public services						103,214		
Library			270,666					
Public assistance, development, & recreation			-		284,809			6,537
Education			-					
<b>Capital outlays</b>								
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>270,666</u>	<u>1,848</u>	<u>284,809</u>	<u>103,214</u>	<u>365,407</u>	<u>6,537</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>4,500</u>	<u>-</u>	<u>(74,719)</u>	<u>(924)</u>	<u>-</u>	<u>-</u>	<u>60,971</u>	<u>(260)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers out								
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>4,500</u>	<u>-</u>	<u>(74,719)</u>	<u>(924)</u>	<u>-</u>	<u>-</u>	<u>60,971</u>	<u>(260)</u>
<b>Fund balances, beginning of year</b>	<u>-</u>	<u>15,865</u>	<u>428,021</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>259,775</u>	<u>12,927</u>
<b>Fund balances, end of year</b>	<u>\$ 4,500</u>	<u>\$ 15,865</u>	<u>\$ 353,302</u>	<u>\$ (924)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 320,746</u>	<u>\$ 12,667</u>

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2013**

	<b>SPECIAL REVENUE FUNDS</b>							
	<u>Drug Evidence Fund</u>	<u>Tower Rent Revolving Fund</u>	<u>Police Detail Car Fund</u>	<u>CDBG Disaster Recovery</u>	<u>Economic Development Administration</u>	<u>OPEB Contributions</u>	<u>School Restricted Funds</u>	<u>Total Special Revenue Funds</u>
<b>REVENUES:</b>								
Intergovernmental	\$ 11,476			\$ 29,086	\$ 15,086		\$ 2,701,086	\$ 3,240,316
Fees, Fines, Charges and Assessments			\$ 43,245			\$ 99,504		602,082
Interest and investment income								23,610
Contributions and grants							56,058	138,578
Other							20	6,297
<b>Total revenues</b>	<b>11,476</b>	<b>\$ -</b>	<b>43,245</b>	<b>29,086</b>	<b>15,086</b>	<b>99,504</b>	<b>2,757,164</b>	<b>4,010,883</b>
<b>EXPENDITURES:</b>								
<b>Current:</b>								
Public safety	15,867						-	397,778
Public services							-	107,507
Library							-	270,666
Public assistance, development, & recreation				29,086	15,086		-	345,910
Education							2,625,923	2,625,923
Capital outlays							37,999	37,999
<b>Total expenditures</b>	<b>15,867</b>	<b>-</b>	<b>-</b>	<b>29,086</b>	<b>15,086</b>	<b>-</b>	<b>2,663,922</b>	<b>3,785,783</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(4,391)</b>	<b>-</b>	<b>43,245</b>	<b>-</b>	<b>-</b>	<b>99,504</b>	<b>93,242</b>	<b>225,100</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers out							(20,000)	(20,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,000)</b>	<b>(20,000)</b>
<b>Net change in fund balances</b>	<b>(4,391)</b>	<b>-</b>	<b>43,245</b>	<b>-</b>	<b>-</b>	<b>99,504</b>	<b>73,242</b>	<b>205,100</b>
<b>Fund balances, beginning of year</b>	<b>94,486</b>	<b>45,852</b>	<b>5,778</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,501</b>	<b>845,272</b>
<b>Fund balances, end of year</b>	<b>\$ 90,095</b>	<b>\$ 45,852</b>	<b>\$ 49,023</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 99,504</b>	<b>\$ 108,743</b>	<b>\$ 1,050,372</b>

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2013**

	<b>CAPITAL PROJECT FUNDS</b>					<b>Total NonMajor Governmental Funds</b>
	<b>EMS Rescue Fund</b>	<b>School QZAB Bond Fund</b>	<b>School Fire Code Renovations Fund</b>	<b>Road Bond Fund</b>	<b>Total Capital Project Funds</b>	
<b>REVENUES:</b>						
Intergovernmental						\$ 3,240,316
Fees, Fines, Charges and Assessments	\$ 129,383				\$ 129,383	731,465
Interest and investment income					-	23,610
Contributions and grants					-	138,578
Other					-	6,297
<b>Total revenues</b>	<b>129,383</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>129,383</b>	<b>4,140,266</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
Public safety					-	397,778
Public services					-	107,507
Library					-	270,666
Public assistance, development, & recreation					-	345,910
Education					-	2,625,923
Capital outlays	900	7,228	50,976	104,395	163,499	201,498
<b>Total expenditures</b>	<b>900</b>	<b>7,228</b>	<b>50,976</b>	<b>104,395</b>	<b>163,499</b>	<b>3,949,282</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>128,483</b>	<b>(7,228)</b>	<b>(50,976)</b>	<b>(104,395)</b>	<b>(34,116)</b>	<b>190,984</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out						(20,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,000)</b>
<b>Net change in fund balances</b>	<b>128,483</b>	<b>(7,228)</b>	<b>(50,976)</b>	<b>(104,395)</b>	<b>(34,116)</b>	<b>170,984</b>
<b>Fund balances, beginning of year</b>	<b>160,977</b>	<b>14,647</b>	<b>51,571</b>	<b>72,951</b>	<b>300,146</b>	<b>1,145,418</b>
<b>Fund balances, end of year</b>	<b>\$ 289,460</b>	<b>\$ 7,419</b>	<b>\$ 595</b>	<b>\$ (31,444)</b>	<b>\$ 266,030</b>	<b>\$ 1,316,402</b>

(CONCLUDED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**Combining Balance Sheet  
School Restricted Funds  
Reported As NonMajor Governmental Funds  
June 30, 2013**

	<b>SPECIAL REVENUE FUNDS</b>						
	<u>IDEA</u>	<u>Title I</u>	<u>Title II</u>	<u>Title III</u>	<u>Perkins</u>	<u>FFVP</u>	<u>RI Emergency Management</u>
<b>ASSETS</b>							
Accounts and other receivable						\$ 11,667	\$ 2,106
Due from federal & state governments	\$ 367,285	\$ 348,712	\$ 92,278	\$ 6,305	\$ 26,371		
Due from other funds							
<b>TOTAL ASSETS</b>	<b>\$ 367,285</b>	<b>\$ 348,712</b>	<b>\$ 92,278</b>	<b>\$ 6,305</b>	<b>\$ 26,371</b>	<b>\$ 11,667</b>	<b>\$ 2,106</b>
<b>LIABILITIES</b>							
Accounts payable and accrued expenditures	\$ 5,063	\$ 1,851	\$ 569	\$ 356	\$ 16,025		
Due to other funds	362,222	346,861	91,709	5,949	10,346	11,667	\$ (311)
<b>TOTAL LIABILITIES</b>	<b>367,285</b>	<b>348,712</b>	<b>92,278</b>	<b>6,305</b>	<b>26,371</b>	<b>11,667</b>	<b>(311)</b>
<b>FUND BALANCES</b>							
Restricted	-	-	-	-	-	-	2,417
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,417</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 367,285</b>	<b>\$ 348,712</b>	<b>\$ 92,278</b>	<b>\$ 6,305</b>	<b>\$ 26,371</b>	<b>\$ 11,667</b>	<b>\$ 2,106</b>

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**Combining Balance Sheet  
School Restricted Funds  
Reported As NonMajor Governmental Funds  
June 30, 2013**

	<b>SPECIAL REVENUE FUNDS</b>						
	<u>Race To The Top</u>	<u>ARRA Energy EECBG</u>	<u>ARRA Energy</u>	<u>Language Assistance</u>	<u>General Assembly</u>	<u>State Grants</u>	<u>Big Yellow School Bus</u>
<b>ASSETS</b>							
Accounts and other receivable							
Due from federal & state governments	\$ 72,314					\$ 3,000	
Due from other funds		\$ 1,162				3,715	\$ 400
<b>TOTAL ASSETS</b>	<b>\$ 72,314</b>	<b>\$ 1,162</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,715</b>	<b>\$ 400</b>
<b>LIABILITIES</b>							
Accounts payable and accrued expenditures	\$ 1,292						\$ 285
Due to other funds	50,694					\$ 65	
<b>TOTAL LIABILITIES</b>	<b>51,986</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>65</b>	<b>285</b>
<b>FUND BALANCES</b>							
Restricted	20,328	1,162	-	-	-	6,650	115
<b>TOTAL FUND BALANCES</b>	<b>20,328</b>	<b>1,162</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,650</b>	<b>115</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 72,314</b>	<b>\$ 1,162</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,715</b>	<b>\$ 400</b>

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**Combining Balance Sheet  
School Restricted Funds  
Reported As NonMajor Governmental Funds  
June 30, 2013**

	<b>SPECIAL REVENUE FUNDS</b>						
	<u>DNA Fund</u>	<u>State UCOA Fund</u>	<u>Targeted Aide</u>	<u>Federal RI Council of Humanities</u>	<u>Energy Grant</u>	<u>RI Energy</u>	<u>CTE Categorical Fund</u>
<b>ASSETS</b>							
Accounts and other receivable							
Due from federal & state governments		\$ 40,000					
Due from other funds		-		\$ 1,959			\$ 11,914
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 40,000</b>	<b>\$ -</b>	<b>\$ 1,959</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,914</b>
<b>LIABILITIES</b>							
Accounts payable and accrued expenditures				\$ 14			\$ 9,493
Due to other funds							
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>14</b>	<b>\$ -</b>	<b>\$ -</b>	<b>9,493</b>
<b>FUND BALANCES</b>							
Restricted	-	40,000	-	1,945	-	-	2,421
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>40,000</b>	<b>-</b>	<b>1,945</b>	<b>-</b>	<b>-</b>	<b>2,421</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 40,000</b>	<b>\$ -</b>	<b>\$ 1,959</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,914</b>

(CONTINUED)



**TOWN OF WEST WARWICK, RHODE ISLAND**

**Combining Balance Sheet  
School Restricted Funds  
Reported As NonMajor Governmental Funds  
June 30, 2013**

	<b>SPECIAL REVENUE FUNDS</b>							Total School Restricted Funds
	<u>Champlin Grant</u>	<u>Corporate Grants</u>	<u>Private Grants</u>	<u>Google Donations</u>	<u>Adult Education</u>	<u>DMS Play</u>	<u>Pre-School</u>	
<b>ASSETS</b>								
Accounts and other receivable								\$ 13,773
Due from federal & state governments								956,265
Due from other funds		\$ 8,975	\$ 16,332	\$ 35	\$ 20	\$ 15,622	\$ 3,906	64,040
<b>TOTAL ASSETS</b>	\$ -	\$ 8,975	\$ 16,332	\$ 35	\$ 20	\$ 15,622	\$ 3,906	\$ 1,034,078
<b>LIABILITIES</b>								
Accounts payable and accrued expenditures							\$ 241	\$ 35,189
Due to other funds						\$ 10,944		890,146
<b>TOTAL LIABILITIES</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,944	241	925,335
<b>FUND BALANCES</b>								
Restricted	-	8,975	16,332	35	20	4,678	3,665	108,743
<b>TOTAL FUND BALANCES</b>	-	8,975	16,332	35	20	4,678	3,665	108,743
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ -	\$ 8,975	\$ 16,332	\$ 35	\$ 20	\$ 15,622	\$ 3,906	\$ 1,034,078

(CONCLUDED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
School Restricted Funds  
Reported As NonMajor Governmental Funds  
For the Year Ended June 30, 2013**

	<b>SPECIAL REVENUE FUNDS</b>						
	<u>IDEA</u>	<u>Title I</u>	<u>Title II</u>	<u>Title III</u>	<u>Perkins</u>	<u>FFVP</u>	<u>RI Emergency Management</u>
<b>REVENUES:</b>							
Intergovernmental	\$ 859,414	\$ 909,782	\$ 433,594	\$ 14,116	\$ 26,371	\$ 44,347	\$ 2,417
Contributions and grants							
Other miscellaneous							
<b>Total revenues</b>	<b>859,414</b>	<b>909,782</b>	<b>433,594</b>	<b>14,116</b>	<b>26,371</b>	<b>44,347</b>	<b>2,417</b>
<b>EXPENDITURES:</b>							
Salaries	561,449	628,700	160,854	9,915	6,964		
Employee benefits	225,356	216,364	61,681	857	533		
Purchased services	24,722	19,526	187,419	2,754		44,347	
Supplies and materials	37,103	15,192		21	9,415		
Other expenses	10,784	10,000	10,000	569			
Capital outlays			13,640		9,459		
<b>Total expenditures</b>	<b>859,414</b>	<b>889,782</b>	<b>433,594</b>	<b>14,116</b>	<b>26,371</b>	<b>44,347</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,417</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers out		(20,000)					
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(20,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,417</b>
<b>Fund balances, beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,417</b>

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
School Restricted Funds  
Reported As NonMajor Governmental Funds  
For the Year Ended June 30, 2013**

	<b>SPECIAL REVENUE FUNDS</b>						
	<u>Race To The Top</u>	<u>ARRA Energy EECBG</u>	<u>ARRA Energy</u>	<u>Language Assistance</u>	<u>General Assembly</u>	<u>State Grants</u>	<u>Big Yellow School Bus</u>
<b>REVENUES:</b>							
Intergovernmental	\$ 357,731						\$ 400
Contributions and grants		\$ 2,196				\$ 3,000	
Other miscellaneous							
<b>Total revenues</b>	<b>357,731</b>	<b>2,196</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>3,000</b>	<b>400</b>
<b>EXPENDITURES:</b>							
Salaries	76,111						
Employee benefits	6,150						
Purchased services	249,735						285
Supplies and materials							
Other expenses		2,196					
Capital outlays	5,407	-					
<b>Total expenditures</b>	<b>337,403</b>	<b>2,196</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>285</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>20,328</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,000</b>	<b>115</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers out							
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>20,328</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,000</b>	<b>115</b>
<b>Fund balances, beginning of year</b>	<b>-</b>	<b>1,162</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,650</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 20,328</b>	<b>\$ 1,162</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,650</b>	<b>\$ 115</b>

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
School Restricted Funds  
Reported As NonMajor Governmental Funds  
For the Year Ended June 30, 2013**

	<b>SPECIAL REVENUE FUNDS</b>						
	<u>DNA Fund</u>	<u>State UCOA Fund</u>	<u>Targeted Aide</u>	<u>Federal RI Council of Humanities</u>	<u>Energy Grant</u>	<u>RI Energy</u>	<u>CTE Categorical Fund</u>
<b>REVENUES:</b>							
Intergovernmental		\$ 40,000		\$ 1,000			\$ 11,914
Contributions and grants							
Other miscellaneous							
<b>Total revenues</b>	<b>\$ -</b>	<b>40,000</b>	<b>\$ -</b>	<b>1,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>11,914</b>
<b>EXPENDITURES:</b>							
Salaries							
Employee benefits							
Purchased services							
Supplies and materials							
Other expenses							9,493
<b>Capital outlays</b>							<b>9,493</b>
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,493</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>40,000</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>2,421</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers out							
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>40,000</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>2,421</b>
<b>Fund balances, beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>945</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ 40,000</b>	<b>\$ -</b>	<b>\$ 1,945</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,421</b>

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
School Restricted Funds  
Reported As NonMajor Governmental Funds  
For the Year Ended June 30, 2013**

	SPECIAL REVENUE FUNDS							Total School Restricted Funds
	Champlin Grant	Corporate Grants	Private Grants	Google Donations	Adult Education	DMS Play	Pre-School	
<b>REVENUES:</b>								\$ 2,701,086
Intergovernmental Contributions and grants		\$ 5,300	\$ 28,298	\$ 35		\$ 10,780	\$ 6,449	56,058
Other miscellaneous					\$ 20			20
<b>Total revenues</b>	\$ -	5,300	28,298	35	20	10,780	6,449	2,757,164
<b>EXPENDITURES:</b>								
Salaries			13,015			14,275		1,471,283
Employee benefits			2,591			1,092		514,624
Purchased services						2,719		531,507
Supplies and materials		1,758	1,231			3,638	6,602	74,960
Other expenses								33,549
Capital outlays								37,999
<b>Total expenditures</b>	-	1,758	16,837	-	-	21,724	6,602	2,663,922
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	3,542	11,461	35	20	(10,944)	(153)	93,242
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers out								(20,000)
<b>Total other financing sources (uses)</b>	-	-	-	-	-	-	-	(20,000)
<b>Net change in fund balances</b>	-	3,542	11,461	35	20	(10,944)	(153)	73,242
<b>Fund balances, beginning of year</b>	-	5,433	4,871	-	-	15,622	3,818	35,501
<b>Fund balances, end of year</b>	\$ -	\$ 8,975	\$ 16,332	\$ 35	\$ 20	\$ 4,678	\$ 3,665	\$ 108,743

(CONCLUDED)

# TOWN OF WEST WARWICK

## AGENCY FUNDS

Agency funds are used to account for assets held by the Government as an agent for individuals, private organizations, and other governments. The following fund was reported in this section.

- **Student Activity Funds** – Maintained to account for funds held in various school programs on behalf of the students and/or school clubs/groups.
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**TOWN OF WEST WARWICK, RHODE ISLAND**

Statement of Changes in Assets and Liabilities  
 Agency Funds  
 Year ended June 30, 2013

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b><u>Student Activity Funds</u></b>				
<b>ASSETS:</b>				
Cash	\$ 109,915	\$ 350,793	\$ 339,365	\$ 121,343
<b>TOTAL ASSETS</b>	<b><u>\$ 109,915</u></b>	<b><u>\$ 350,793</u></b>	<b><u>\$ 339,365</u></b>	<b><u>\$ 121,343</u></b>
<b>LIABILITIES:</b>				
Deposits held in custody for others	\$ 109,915	\$ 350,793	\$ 339,365	\$ 121,343
<b>TOTAL LIABILITIES</b>	<b><u>\$ 109,915</u></b>	<b><u>\$ 350,793</u></b>	<b><u>\$ 339,365</u></b>	<b><u>\$ 121,343</u></b>

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# **TOWN OF WEST WARWICK**

## **SINGLE AUDIT SECTION**

This section contains information regarding federal grant activity for the year ended June 30, 2013, which was audited in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States and under the guidelines of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget's Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Town Council  
Town of West Warwick, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Warwick, Rhode Island, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of West Warwick, Rhode Island's basic financial statements, and have issued our report thereon dated June 17, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of West Warwick, Rhode Island's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of West Warwick, Rhode Island's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of West Warwick, Rhode Island's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. See findings 2013-001 through 2013-008.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. See findings 2013-009 through 2013-011.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of West Warwick, Rhode Island's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Town of West Warwick, Rhode Island's Response to Findings**

Town of West Warwick, Rhode Island's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of West Warwick, Rhode Island's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Marcum LLP*

Providence, Rhode Island  
June 17, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Town Council  
Town of West Warwick, Rhode Island

**Report of Compliance for Each Major Federal Program**

We have audited the Town of West Warwick, Rhode Island's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of West Warwick, Rhode Island's major federal programs for the year ended June 30, 2013. The Town of West Warwick, Rhode Island's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town of West Warwick, Rhode Island's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of West Warwick, Rhode Island's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of West Warwick, Rhode Island's compliance.

***Basis for Modified Opinion on Race to the Top Grant***

As described in item 2013-012 in the accompanying schedule of findings and questioned costs, the Town of West Warwick, Rhode Island, did not comply with requirements regarding allowable costs that are applicable for the Race to the Top Grant under CFDA# 84.395. Compliance with such requirements is necessary, in our opinion, for the Town of West Warwick, Rhode Island, to comply with the requirements applicable to that program.



### ***Modified Opinion on Race to the Top Grant***

In our opinion, except for the noncompliance described in the Basis for Modified Opinion paragraph the Town of West Warwick, Rhode Island, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Race to the Top Grant CFDA# 84.395 for the year ended June 30, 2013.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion the Town of West Warwick, Rhode Island complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of the Town of West Warwick, Rhode Island, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of West Warwick, Rhode Island's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of West Warwick, Rhode Island's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-013 and 2013-014 to be material weaknesses.

Town of West Warwick, Rhode Island response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of West Warwick, Rhode Island's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Marcus LLP*

Providence, Rhode Island  
June 17, 2014

**TOWN OF WEST WARWICK, RHODE ISLAND**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013**

<b>Federal Grantor Pass-Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
<b>Passed through Rhode Island Department of Education:</b>			
National School Lunch Program	10.555		\$ 673,795
National School Breakfast Program	10.553		147,956
<b>Total Nutrition Cluster</b>			<u>821,751</u>
Fresh Fruit and Vegetable Program	10.582		44,347
Food Commodities	10.565		45,326
<b>Total U.S. Department of Agriculture</b>			<u>911,424</u>
<b>U.S. Department of Commerce Economic Development Administration</b>			
Economic Adjustment Assistance	11.307		15,086
<b>Total U.S. Department of Commerce</b>			<u>15,086</u>
<b>U.S. Department of Housing and Urban Development</b>			
<b>Passed through Rhode Island Office of Housing and Community Development</b>			
Community Development Block Grant	14.228		284,809
<b>Passed through Rhode Island Department of Planning</b>			
Community Development Block Grant	14.228		29,086
<b>Total U.S. Department of Housing and Urban Development</b>			<u>313,895</u>
<b>U.S. Department of Justice</b>			
<b>Passed through Rhode Island Department of Justice</b>			
Bulletproof Vest Partnership Program	16.607		4,541
Enforcing Underage Drinking Laws Program	16.727		3,000
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DJ-BX-0748	56,230
<b>Total U.S. Department of Justice</b>			<u>63,771</u>
<b>U.S. Department of Transportation</b>			
<b>Passed through Rhode Island Department of Transportation</b>			
State and Community Highway Safety	20.600	402-EM-12	17,100
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		1,400
Occupant Protection Incentive Grants	20.602		7,550
Child Safety and Child Booster Seats Incentive Grants	20.613		5,145
<b>Total Highway Safety Grant Program Cluster</b>			<u>31,195</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		10,000
<b>Total U.S. Department of Transportation</b>			<u>41,195</u>
<b>U.S. Department of Energy</b>			
<b>Direct Funding:</b>			
ARRA - Energy Efficiency and Conservation Block Grants	81.128	GR-8735	2,196
<b>Total U.S. Department of Energy</b>			<u>2,196</u>
<b>U.S. Department of Homeland Security</b>			
<b>Passed through Rhode Island Emergency Management Agency</b>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		112,919
Homeland Security Grant Program	97.067	37-71-FY10HAZ	5,410
<b>Total U.S. Department of Homeland Security</b>			<u>118,329</u>
<b>U.S. Department of Education</b>			
<b>Passed through Rhode Island Department of Education</b>			
Project IDEA - Part B	84.027	2725-13202-301	832,267
Project IDEA Preschool	84.173	2725-13502-301	27,147
<b>Total Special Education Cluster</b>			<u>859,414</u>
Title I - Part A - Disadvantaged Youth	84.010	2725-11702-301	909,782
Title II - Part A - Teacher Quality	84.367	2725-16402-301	246,971
Title II D - Innovation Powered by Technology	84.318	2725-12902-260	13,640
English Language Acquisition Grants	84.365	2725-16502-301	14,116
Race To the Top Fund - ARRA	84.395	4572-13502-110	357,731
<b>Passed through City of Warwick</b>			
Perkins - Career and Technical Education	84.048	2725-15302-301	26,371
<b>Total U.S. Department of Education</b>			<u>2,428,025</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 3,893,921</u>

**TOWN OF WEST WARWICK, RHODE ISLAND**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2013**

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**1. General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Town of West Warwick. All federal awards received from federal agencies and expended are included on the Schedule of Expenditures of Federal Awards. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**2. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The accompanying Schedule of Expenditures of Federal Awards also includes \$45,326 for the value of food commodities which is reported as a component of the Federal School Lunch Program Cluster.

**TOWN OF WEST WARWICK, RHODE ISLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2013**

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**A. SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' report issued: Adverse on Government-Wide and Sewer Authority Enterprise Fund. Unmodified on remaining Fund Statements.

Internal control over financial reporting:

- Material Weakness identified?                     yes                     no
- Significant Deficiency identified?                 yes                     none reported

Noncompliance material to financial statements noted?

yes                     no

***Federal Awards***

Internal control over major programs:

- Material Weakness identified?                     yes                     no
- Significant Deficiency identified?                 yes                     none reported

Type of auditors' report issued on compliance for major programs: Modified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

yes                     no

Identification of major program:

Title I – Part A – Disadvantaged Youth .....	CFDA #84.010
Project IDEA – Part B ** .....	CFDA #84.027
Project IDEA Preschool ** .....	CFDA #84.173
ARRA Race To The Top Funds .....	CFDA #84.395

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

yes                     no

(CONTINUED)



TOWN OF WEST WARWICK, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013**

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**B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS**

***Current Year Findings:***

**2013-001: Financial Reporting**

One of the primary elements of financial reporting is the establishment of sound internal control to ensure that the financial statements are complete and accurate as well as in compliance with the governing accounting standards. As stated in Note 14 to the audited financial statements for the fiscal year ended June 30, 2013, the net position and fund equity as of June 30, 2012 had to be restated for numerous errors, compliance with accounting principles, and improper classification of fund types. We believe that the cause of this condition was the direct result of the failure to have a process in place to ensure the accuracy and compliance with the governmental accounting standards over financial reporting. We recommend that Town Officials continuously monitor the departments of the Town which are responsible for ensuring the completeness and accuracy of the Town's financial reporting. Town Officials should ensure the completeness, accuracy, and compliance with financial reporting requirements.

**2013-002: Capital Assets**

Although the Town of West Warwick has adopted a formal capital asset policy, the Town does not have adequate internal controls in place to ensure the accuracy and completeness of the capital asset records. Town personnel were unable to reconcile the detailed capital asset records to the general ledger accounting records and prior years audited financial statements. We recommend that the Town complete a detailed inventory and historical valuation of the capital asset records and that, upon completion of the valuation, the Town's general ledger accounting records be adjusted to properly account for the capital assets owned by the Town of West Warwick. We further recommend that the Town's Finance Director establish adequate policies and procedures to ensure the ongoing maintenance and completeness of the capital asset records. These procedures may include implementation and full integration of the fixed asset module of the general ledger accounting system as well as a policy for reconciling the detailed capital asset records to the general ledger accounting records on a periodic basis (at least semi-annually). Due to this lack of internal controls, the 2013 audited financial statements received an adverse opinion on the governmental activities, business-type activities, and the Sewer Authority Enterprise Fund.

**2013-003: Pension Trust Fund**

The Town of West Warwick did not ensure that the general ledger accounting records accurately reflect the assets, liabilities, net position, or activity of the pension trust fund. The Town's general ledger reported a net position of approximately \$41.6 million as of June 30, 2013 when in fact the audited net position was approximately \$27.4 million. We recommend that management establish policies, procedures, and internal controls to ensure that all activity of the pension trust fund is recorded, at a minimum, on a monthly basis. We further recommend that all cash and investment accounts be reconciled on a monthly basis and that the Finance Director review and approve all account reconciliations to ensure that the activity is being properly reported.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013**

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**B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)**

*Current Year Findings (Continued):*

**2013-004: Compensated Absences – School Department**

The West Warwick School Department did not accurately report compensated absences. In accordance with Governmental Accounting Standards Board Statement Number 16, governmental entities are required to estimate the liability related to these earned vested benefits and report the liability in the government-wide financial statements or fund financial statements as applicable. The accrued liability for compensated absences was reported at approximately \$300,000 as of June 30, 2012 while the actual estimated liability, in accordance with the terms of the collective bargaining contracts, should have been approximately \$2.9 million. This resulted in an understatement of the liabilities and overstatement of net position of the governmental activities as of June 30, 2012 by approximately \$2.6 million. We recommend that finance personnel at the School Department establish policies and procedures to ensure that liabilities resulting from contractual obligations are properly estimated and accounted for in the Town's annual financial statements. We further recommend that these policies and procedures include a review and evaluation of significant assumptions made and estimates calculated to ensure the reasonableness of the potential liability.

**2013-005: Sewer Assessments**

Governmental Accounting Standards Board Statements 6 and 33 provide guidance on reporting transactions related to special assessments and revenue recognition requirements. The Town's Sewer Authority requires the special assessment of user fees to residents and businesses that may be tying into the system for the first time, expanding their current usage of the system, or related to renovations of the Sewer Authorities system. The Town did not report these assessments in accordance with the governmental accounting standards. Failure to comply with the reporting requirements resulted in the understatement of net position at June 30, 2012 by approximately \$3.7 million. We recommend that Sewer Authority personnel meet with the Town's Finance Director to establish adequate controls to ensure the proper accounting and reporting of special assessments.

**2013-006: Intermunicipal Agreements**

The Town of West Warwick has entered into several Intermunicipal Agreements with surrounding communities related to the use and maintenance of the Town's sewer treatment facility. The terms of the agreements include provisions whereby the surrounding communities are responsible for a pro-rata share of the ongoing maintenance and capital replacement of the facility. In addition, the Town has incurred debt financing obligations related to some of these capital improvements. In accordance with the terms of the debt financing agreements, a portion of the annual principal and interest payments are to be billed to the surrounding communities.

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2013**

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**B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)**

***Current Year Findings (Continued):***

**2013-006: Intermunicipal Agreements (Continued)**

The Town of West Warwick has entered into several Intermunicipal Agreements with surrounding communities related to the use and maintenance of the Town's sewer treatment facility. The terms of the agreements include provisions whereby the surrounding communities are responsible for a pro-rata share of the ongoing maintenance and capital replacement of the facility. In addition, the Town has incurred debt financing obligations related to some of these capital improvements. In accordance with the terms of the debt financing agreements, a portion of the annual principal and interest payments are to be billed to the surrounding communities.

There is a lack of controls over the compliance with the terms of these agreements over the financial reporting of the activity related to these transactions. The Town was not billing these surrounding communities in accordance with the provisions of the agreements rather, the Town was fronting all of the debt service costs and then billing the local communities at a later date. In addition, the Town failed to report the capital contribution and the related receivable resulting from these debt financing agreements. As a result, the Town was reporting 100% of the debt obligation without reporting the portion which was due from surrounding communities in accordance with the terms of the Intermunicipal Agreements. Failure to properly report this activity resulted in a restatement of the opening net position of the Sewer Authority Fund and Business-type Activities in the amount of approximately \$6.6 million. We recommend that the Finance Director meet with personnel at the Sewer Authority to review the terms and conditions of the Intermunicipal Agreements to ensure compliance with the provisions of these agreements. We further recommend that management review the reporting requirements established by the Governmental Accounting Standards Board to ensure that all transactions and activity is properly presented in the Town's general ledger accounting records and financial statements.

**2013-007: Internal Service Fund**

The Town did not maintain adequate policies, procedures, or controls for reporting the financial activity or balances relative to health care costs administered in the Internal Service Fund. The general ledger accounting records of this fund failed to properly report the revenue, expenditures, receivables, and accrued liabilities related to health care as of and for the fiscal year ended June 30, 2013. Furthermore, the Town and School Department currently reimburse the Internal Service Fund on actual claims basis rather than utilizing a working rate or premium base methodology. We recommend that management review the current funding policy for health care benefits and consider establishing a working rate/premium cost method for funding the Internal Service Fund. The establishment of a working rate or premium basis for funding of health care costs may help enable management to build up a net position/equity reserve in the event that there is a year when the Town experiences higher than anticipated claims. If the Town is able to successfully achieve a net position balance it may consider using the net position to help fund an OPEB Trust Fund. Lastly, utilizing a working rate or premium basis for charging various departments for health insurance benefits will help to ensure that the Town and School Department is properly allocating employee benefits to applicable federal and state grant programs.

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013**

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**B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)**

***Current Year Findings (Continued):***

**2013-008: Special Revenue Funds**

The financial reporting for many of federal, state grant, and other special revenue funds is completed and maintained by personnel outside of the Finance Department. However the majority of the expenditures incurred by these grant programs are paid for by the Town's General Fund and then submitted for reimbursement. Our review of the activity and procedures administered by some of these departments identified a lack of internal controls over the financial reporting of these funds. Activity reported in the general ledger accounting records was not being reconciled to, and not in agreement with, the financial reports being prepared by program personnel. Also the general ledger accounting records failed to properly include all receivables and liabilities related to the grant program activity due to inadequate cut-off procedures. Furthermore there was a lack of controls over the recording of the activity related to the rescue service fee revenue which the Town Council has committed for a specific use. Failure to establish and maintain proper internal controls over the financial accounting and reporting of Special Revenue Fund activity may result in material misstatement to the financial statements and noncompliance with grant reporting requirements. We recommend that the Town Administration meet with various Department Directors to establish adequate policies, procedures, and internal controls over the financial accounting and reporting of grant activity. We further recommend that all grant reports be submitted to the Finance Director for review and approval with the general ledger accounting records prior to submission to the funding agencies.

**2013-009: Purchase Orders**

The Town of West Warwick currently utilizes purchase orders for virtually all funds and expenditures other than payroll. Purchase orders are being used after the fact which is not the intended use of a purchase order. Failure to utilize purchase orders prior to making the purchase may result in the over expending of funds and reduce management's ability to properly monitor, control, and estimate the financial position and condition of the Town. We recommend that management review the current process governing the use of purchase orders and that a policy and procedure be documented, implemented, and reviewed with all department heads to ensure compliance. We further recommend that the Town send a communication to all vendors alerting them to the fact that purchases will not be honored unless a signed and approved purchase order is received at the time the order is placed.

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013**

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**B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)**

***Current Year Findings (Continued):***

**2013-010: Cash Management**

The Town, including the School Department, receives funding from various federal and state agencies. Many of these contract agreements are on an expenditure reimbursement basis and therefore, require that the Town incur and pay the expenditure prior to submitting for reimbursement. In addition, in those cases where the Town may receive the funding prior to incurring the expenditure, there are certain constraints and guidelines on the time in which those funds may remain on hand. As a result of the lack of understanding of the grant requirements, Town personnel may request reimbursement of funds prior to incurring the costs and as a result funds remained on hand for extended periods of time. We believe that there is a lack of control over the review and reporting of federal grant reimbursement requests. Many of the reimbursement requests are completed and submitted by the Department Heads that receive the grant. The requests are not forwarded to the Finance Department for review or approval prior to submission. Failure to comply with the contract and grant requirements may result in loss of funding for future projects and/or payback of funding already received due to noncompliance with grant requirements.

**2013-011: Capital Assets Acquired with Federal Funds**

Federal Circular A-102 Common Rule Section \_31 require that the Town (including the School Department) maintain a detail listing of all capital assets that are acquired with federal funds. This detailed listing should identify the asset, location of the asset, date acquired, cost of the asset, and the grant funds which were used to acquire the asset. Although the Town considers capital assets to be those items with an original cost of \$10,000 or more and an economic life in excess of one year, the federal government requires maintenance of this list for all assets with an original cost of \$5,000 or more. In addition, the federal regulations require that an inventory of these assets be taken at least once every two years and that the listing is reconciled to the equipment records maintained by the respective departments. Adequate controls should be in place to ensure that the assets acquired with federal funds are properly safeguarded against loss due to theft or misuse. We noted that the Town does not currently have a process for maintaining an asset listing or for taking periodic inventory of assets acquired with federal funds. We recommend that management establish a policy and procedure for maintaining a listing of capital assets acquired with federal funds and for taking an inventory of those assets to ensure completeness and maintenance in accordance with federal requirements.

(CONTINUED)

TOWN OF WEST WARWICK, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013**

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**C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS**

**Current Year Findings:**

**2013-012: ARRA - Race to-the-Top Fund CFDA #84.395**

**Criteria:** The West Warwick School Department receives direct federal funding as well as federal funding passed through the State of Rhode Island. During our audit we noted instances where payroll records supporting cost allocations to federal programs were not being maintained in accordance with the requirements of OMB Circular A-87. The circular requires that payroll costs charged to federally funded programs be supported as follows:

- Salaries and wages for employees working 100% of their time on a single Federal award or cost objective must be supported by periodic certifications. These certifications must be prepared at least semi-annually and must be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- Salaries and wages for employees working on multiple activities or cost objectives must be supported by (a) personnel activity reports that reflect an after-the-fact distribution of the actual activity of the employee, (b) they must account for the total activity for which an employee is compensated, (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

**Statement of Condition:**

The West Warwick Department does not have an adequate policy or procedure requiring substitute teachers charged to federally funded programs to maintain time records in accordance with the requirements of OMB Circular A-87. Substitute teachers do not report their time to provide support for costs charged to federal programs.

**Questioned Costs:**

The result of our testing identified questioned costs of approximately \$82,000.

**Effect of Condition:**

Failure to properly document and allocate payroll expenses to their corresponding program may result in excess costs being charged to a federally funded program which in turn could result in loss of federal funding.

**Recommendation:** We recommend that the management of the West Warwick School Department develop and enforce a policy requiring all federally funded personnel to maintain time records in accordance with the provisions of OMB Circular A-87 and that the policy include an internal audit function requiring someone independent of the federal program to review time records on a periodic basis for compliance.

**Corrective Action:** Management agrees with the finding noted above and is in the process of implementing and maintaining time and effort reports to comply the federal requirements. Time and effort reports are currently maintained for regular employees of the West Warwick School Department, and management is developing a process that will be put in place to ensure that per diem and substitute teachers/personnel also comply with the documentation requirements.

(CONTINUED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013**

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**C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (Continued)**

***Current Year Findings (Continued):***

***Internal Control over Compliance:***

**2013-013: ARRA - Race to the Top Fund**

The funds awarded to the Town of West Warwick were administered in conjunction with the Rhode Island Department of Education (RIDE). The Town of West Warwick receives some of the funds on a reimbursement basis while also having costs allocated to the Town based on expenditures incurred and paid for directly by RIDE. RIDE is audited as a part of the audit of the State of Rhode Island's annual financial statements. A material weakness was noted in the Rhode Island Auditor General's report (#2013-054 in State of Rhode Island – Fiscal 2013 Single Audit Report) on internal control over compliance for RIDE due to the lack of documentation required by RIDE's new documentation standards or confirmed with federally-established cost principles (e.g., OMB Circular A-87 and US Department of Education EDGAR) to support disbursements for the RACE to the Top program. Due to the fact that some of the expenditures reported on the Town of West Warwick, Rhode Island's Schedule of Expenditures of Federal Awards are actually allocated by the RIDE, we believe that this control deficiency of the State impacts the Town's controls over compliance with federal requirements applicable to the Race to-the-top Grant.

**2013-014: Schedule of Expenditures of Federal Awards (SEFA)**

The Town of West Warwick does not currently have established policies, procedures, or controls in place for compiling or monitoring the SEFA and for completing the Federal Data Collection Form. As a result, Town finance personnel were unable to prepare the Schedule of Expenditures of Federal Awards. In addition, the fiscal 2012 Federal Data Collection Form was not completed or submitted to the Federal Clearinghouse in accordance with the federal requirements. Failure to properly and accurately prepare and timely file the SEFA is contrary to regulations prescribed in Circular A-133 issued by the federal Office of Management and Budget. We recommend that management improve its processes related to the SEFA and also file the 2012 Federal Data Collection Form.

(CONCLUDED)

**TOWN OF WEST WARWICK, RHODE ISLAND**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2013**

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**PRIOR YEAR FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS**

**2012-1 Finding:** Rhode Island General Law 16-2-18 prohibits Rhode Island School Departments from having a deficit. The West Warwick School Department's Unrestricted Fund had a cumulative fund deficit of \$(1,732,352) as of June 30, 2012. This is in violation of Rhode Island General Laws.

**Status:** Cleared in fiscal 2013. School Department operated at a surplus fiscal 2013 and eliminated the cumulative deficit.

**2012-2 Finding:** The Town does not have any purchasing policies or procedures in place. The purchase order process is not in place or operating effectively. Although the Town has the capability for a Purchase Order system, all Purchase Orders were issued subsequent to the invoice. Although most Town expenditures were approved subsequent to services provided or goods received, major project expenses have been approved properly through the bid process. To be accountable to its citizens and taxpayers, proper approval of expenditures is needed.

**Status:** See current year finding 2013-009.

**2012-3 Finding:** The Town does not have any policies or procedures in place to identify Federal Grant expenditures. During a review of federal grant expenditures, it was noted that there were various reconciliations and journal entries to transfer and record expenditures in the proper special revenue fund. Not all police overtime expenditures were recorded in the proper special revenue funds, and as such, the General Fund was overstated for unidentifiable Federal expenditures. We also noted that prior expenditures funded by federal monies were not properly identified, and were subsequently recorded as general fund expense.

**Status:** See current year finding 2013-014.

**2012-4 Finding:** The Town does not have any policies or procedures in place to identify Federal grant revenues. During our review of federal grant revenues, it was noted that various revenues were recorded in a 'suspense' account on the general fund, until the revenue was identified and transferred to the proper special revenue account/fund. We noted that revenues for police payroll grants were being posted against police overtime expense, where neither the revenue nor expense is properly stated. A journal entry was needed to reclassify \$176,000 of federal monies received, where the expenditure recorded in prior years was recorded in the general fund incorrectly.

**Status:** See current year finding 2013-014.

**2012-5 Finding:** The Town does not have any policies or procedures in place to account for Pension Fund Transactions on the General Ledger. During our review of the Pension Trust Fund, it was noted that no activity from the Pension Investment Account is recorded on the Town's General Ledger. This precludes the Finance Department from reviewing and approving any transactions that are taken by the Pension Board. Although we don't believe the Finance Department needs to approve board transactions, they should at least be recorded on the Town's ledger and reconciled at least quarterly to the Pension Investment Statements. It was also noted that certain disbursements paid to the Town for Pension activities are in arrears for two quarters.

**Status:** See current year finding 2013-003.

(CONTINUED)



**TOWN OF WEST WARWICK, RHODE ISLAND**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2013**

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**PRIOR YEAR FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)**

**2012-6 Finding:** The Town does not have any policies or procedures in place to account for Health Insurance Expenses in the Internal Service Fund. During our review of the Internal Service Fund, it was noted that General Fund contributions to the Internal Service Fund were not being recorded timely. As a result, at June 30, 2012 \$4.7M worth of General Fund contributions were needed to reconcile the Internal Service Fund, as well as to be recorded as expense on the General Fund. When we reviewed the Health Insurance expenses on the General Fund, the whole year of contributions were not recorded. Per our audit adjustment, all activity was properly recorded.

**Status:** See current year finding 2013-007.

**2012-7 Finding:** The Town does not have policies and procedures in place to properly maintain and account for capital assets. The Town has not performed a physical inventory of capital assets in many years. During our review of Fixed Assets for both Governmental and Enterprise Funds, it was noted that there are variances in the depreciation and asset values for both beginning and ending balances. When fixed assets were provided to us, many reconciling items were needed to tie out the beginning assets and depreciation and ending assets and depreciation. The Town did not identify any asset additions or retirements throughout the year, and as such, were late in providing any information to the auditors in regards to these assets. For the Enterprise Funds, asset impairments for the March Flood of 2010 were only identified through insurance reimbursements, and were never properly recorded on the Fixed Asset ledger. Only an 'impairment' account was created to account for the impairments.

**Status:** See current year finding 2013-002.

**2012-8 Finding:** The Town does not have any policies or procedures in place to properly account for General Fund Taxes receivable and Sewer Fund Usage receivable. During our review of the Trial Balance for the General Fund and Enterprise Funds, it was noted that there were many entries needed to reconcile Property Taxes receivable and Sewer use fees receivable to the General Ledger. The FY2013 Tax Levy was mistakenly recorded on the GF Trial Balance, and a net \$2.0M adjustment was needed to correctly record the FY2012 tax levy. FY2013 Sewer billings in the amount of \$5.5M were recorded in FY2012 as revenue and not as deferred. OPAL Sewer Use revenues were additionally recorded as only Usage, and not identified by other categories such as Assessment, Assessment Interest, and Industrial.

**Status:** During fiscal 2013 the Interim Finance Director reconciled the tax and sewer receivable accounts to the respective subsidiary ledgers and performed an evaluation of the uncollectible accounts.

(CONTINUED)

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**TOWN OF WEST WARWICK, RHODE ISLAND**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2013**

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**PRIOR YEAR FINDINGS -- RELATED TO FEDERAL AWARDS**

**2012-9 Finding:** The Town does not have any policies or procedures in place to identify Capital Assets purchased with Federal monies. During our Single audit, it was noted that assets purchased with Federal monies were not properly identified on a Federal asset schedule, and that a review and reconciliation of Federal assets had not taken place within the 2-year period required.

**Status:** See current year finding 2013-011.

(CONCLUDED)

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***Responses to deficiencies and findings noted in the 2013 Audit:***

***2013-001 – Financial Reporting***

Management of the Town of West Warwick, Rhode Island recognizes and acknowledges the deficiency. We acknowledge the importance of this item and the need to address it in a timely manner. Over the last few years, the Town of West Warwick, as a result of the financial challenges, has had significant turnover in personnel combined with lack of adequately trained personnel, which has led to lack of attention to details and instability. In July 2013, a new Town Manager was appointed and has been addressing the needs of the Town, as well as the items identified in the Schedule of Findings and Questioned Costs. The Town Manager is working diligently with all stakeholders to restore stability to key positions within the Town.

The Interim Finance Director, John T. Cimino, is working to ensure the completeness and accuracy of the financial reporting.

***2013-002 – Capital Assets***

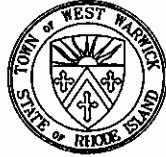
The Town is in the process of engaging an outside appraiser to inventory and value all of the capital assets of the Town. This process is expected to commence shortly and it is anticipated to be completed prior to issuance of the fiscal 2014 financial statements. As a result, management expects that the adverse opinion will be removed from the 2014 auditors report and the financial statements will receive an unmodified opinion.

The Interim Finance Director, John T. Cimino, is overseeing the procurement process for obtaining the valuation services.

***2013-003 - Pension Trust Fund***

Management of the Town of West Warwick, Rhode Island recognizes and acknowledges the deficiency. We acknowledge the importance of this item and the need to address it in a timely manner. Over the last few years, the Town of West Warwick, as a result of the financial challenges, has had significant turnover in personnel combined with lack of adequately trained personnel, which has led to lack of attention to details and instability. In July 2013, a new Town Manager was appointed and has been addressing the needs of the Town, as well as the items identified in the Schedule of Findings and Questioned Costs. The Town Manager is working diligently with all stakeholders to restore stability to key positions within the Town.

The Interim Finance Director, John T. Cimino, is working to ensure the completeness and accuracy of the general ledger reporting of the Pension Trust Fund.



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***Responses to deficiencies and findings noted in the 2013 Audit (Continued):***

***2013-004 – Compensated Absences – School Department***

Management of the Town of West Warwick, Rhode Island recognizes and acknowledges the deficiency. We acknowledge the importance of this item and the need to address it in a timely manner. Over the last few years, the Town of West Warwick, as a result of the financial challenges, has had significant turnover in personnel combined with lack of adequately trained personnel, which has led to lack of attention to details and instability. In July 2013, a new Town Manager was appointed and has been addressing the needs of the Town, as well as the items identified in the Schedule of Findings and Questioned Costs. The Town Manager is working diligently with all stakeholders to restore stability to key positions within the Town.

The School's Accountant, Diane Gonyea, is working to ensure the completeness and accuracy of school compensated absences.

***2013-005 – Sewer Assessment***

Management of the Town of West Warwick, Rhode Island recognizes and acknowledges the deficiency. We acknowledge the importance of this item and the need to address it in a timely manner. Over the last few years, the Town of West Warwick, as a result of the financial challenges, has had significant turnover in personnel combined with lack of adequately trained personnel, which has led to lack of attention to details and instability. In July 2013, a new Town Manager was appointed and has been addressing the needs of the Town, as well as the items identified in the Schedule of Findings and Questioned Costs. The Town Manager is working diligently with all stakeholders to restore stability to key positions within the Town.

The Interim Finance Director, John T. Cimino, is working with Sewer Authority personnel to ensure that proper reporting and accounting of sewer assessments.

***2013-006 – Intermunicipal Agreements***

Management of the Town of West Warwick, Rhode Island recognizes and acknowledges the deficiency. We acknowledge the importance of this item and the need to address it in a timely manner. Over the last few years, the Town of West Warwick, as a result of the financial challenges, has had significant turnover in personnel combined with lack of adequately trained personnel, which has led to lack of attention to details and instability. In July 2013, a new Town Manager was appointed and has been addressing the needs of the Town, as well as the items identified in the Schedule of Findings and Questioned Costs. The Town Manager is working diligently with all stakeholders to restore stability to key positions within the Town.

The Interim Finance Director, John T. Cimino, is working with Sewer Authority personnel to ensure that all transactions relative to the Intermunicipal Agreements are properly accounted for.



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***Responses to deficiencies and findings noted in the 2013 Audit (Continued):***

**2013-007 – Internal Service Fund**

Management of the Town of West Warwick, Rhode Island recognizes and acknowledges the deficiency. We acknowledge the importance of this item and the need to address it in a timely manner. Over the last few years, the Town of West Warwick, as a result of the financial challenges, has had significant turnover in personnel combined with lack of adequately trained personnel, which has led to lack of attention to details and instability. In July 2013, a new Town Manager was appointed and has been addressing the needs of the Town, as well as the items identified in the Schedule of Findings and Questioned Costs. The Town Manager is working diligently with all stakeholders to restore stability to key positions within the Town.

The Interim Finance Director, John T. Cimino, is working to revise the internal accounting and reporting of the Internal Service Fund in an effort to implement the recommendations of the auditors.

**2013-008 – Special Revenue Funds**

Management of the Town of West Warwick, Rhode Island recognizes and acknowledges the deficiency. We acknowledge the importance of this item and the need to address it in a timely manner. Over the last few years, the Town of West Warwick, as a result of the financial challenges, has had significant turnover in personnel combined with lack of adequately trained personnel, which has led to lack of attention to details and instability. In July 2013, a new Town Manager was appointed and has been addressing the needs of the Town, as well as the items identified in the Schedule of Findings and Questioned Costs. The Town Manager is working diligently with all stakeholders to restore stability to key positions within the Town.

The Interim Finance Director, John T. Cimino, is working to establish policies and procedures to ensure the financial reporting of these Funds.

**2013-009 – Purchase Orders**

Management of the Town of West Warwick, Rhode Island recognizes and acknowledges the deficiency. We acknowledge the importance of this item and the need to address it in a timely manner. Over the last few years, the Town of West Warwick, as a result of the financial challenges, has had significant turnover in personnel combined with lack of adequately trained personnel, which has led to lack of attention to details and instability. In July 2013, a new Town Manager was appointed and has been addressing the needs of the Town, as well as the items identified in the Schedule of Findings and Questioned Costs. The Town Manager is working diligently with all stakeholders to restore stability to key positions within the Town.

The Interim Finance Director, John T. Cimino, is reviewing the purchase order process and, in conjunction with the Town Manager, Frederick J. Presley, they will look to implement a formal policy and procedure.

Frederick J. Presley

TOWN MANAGER



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***Responses to deficiencies and findings noted in the 2013 Audit (Continued):***

**2013-010 – Cash Management**

Management of the Town of West Warwick, Rhode Island recognizes and acknowledges the deficiency. We acknowledge the importance of this item and the need to address it in a timely manner. Over the last few years, the Town of West Warwick, as a result of the financial challenges, has had significant turnover in personnel combined with lack of adequately trained personnel, which has led to lack of attention to details and instability. In July 2013, a new Town Manager was appointed and has been addressing the needs of the Town, as well as the items identified in the Schedule of Findings and Questioned Costs. The Town Manager is working diligently with all stakeholders to restore stability to key positions within the Town.

The Interim Finance Director, John T. Cimino, will work with various Department Directors to ensure compliance with the cash management requirements.

**2013-011 – Capital Assets Acquired with Federal Funds**

Management of the Town of West Warwick, Rhode Island recognizes and acknowledges the deficiency. We acknowledge the importance of this item and the need to address it in a timely manner. Over the last few years, the Town of West Warwick, as a result of the financial challenges, has had significant turnover in personnel combined with lack of adequately trained personnel, which has led to lack of attention to details and instability. In July 2013, a new Town Manager was appointed and has been addressing the needs of the Town, as well as the items identified in the Schedule of Findings and Questioned Costs. The Town Manager is working diligently with all stakeholders to restore stability to key positions within the Town.

The Interim Finance Director, John T. Cimino, will work with various Department Directors to ensure compliance with the federal requirement and establish a central location for maintaining the equipment listing.

**2013-012 – ARRA – Race to-the-Top Fund CFDA #84.395**

Management agrees with the finding and is in the process of implementing and maintaining time and effort reports to comply the federal requirements. Time and effort reports are currently maintained for regular employees of the West Warwick School Department, and management is developing a process that will be put in place to ensure that per diem and substitute teachers/personnel also comply with the documentation requirements.

The School's Accountant, Diane Gonyea, is working to ensure the completeness and accuracy of school compensated absences.

Frederick J. Presley  
TOWN MANAGER



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***Responses to deficiencies and findings noted in the 2013 Audit (Continued):***

**2013-013 – ARRA Race to-the-Top Fund**

This deficiency was included in the Town of West Warwick's Schedule of Findings and Questioned costs due to the fact that the Town reported expenditures which were allocated to the Town by the Rhode Island Department of Education (RIDE) and, RIDE had a material weakness over controls relative to the compliance with this Fund. The Town will request that RIDE provide additional documentation to substantiate all of the expenditures allocated to the West Warwick School Department in an effort to maintain some control over these expenditures.

The Interim Finance Director, John T. Cimino, will work with School Department and State personnel to follow up on this item.

**2013-014 – Schedule of Expenditures of Federal Awards (SEFA)**

Management of the Town of West Warwick, Rhode Island recognizes and acknowledges the deficiency. We acknowledge the importance of this item and the need to address it in a timely manner. Over the last few years, the Town of West Warwick, as a result of the financial challenges, has had significant turnover in personnel combined with lack of adequately trained personnel, which has led to lack of attention to details and instability. In July 2013, a new Town Manager was appointed and has been addressing the needs of the Town, as well as the items identified in the Schedule of Findings and Questioned Costs. The Town Manager is working diligently with all stakeholders to restore stability to key positions within the Town.

The Interim Finance Director, John T. Cimino, will work to establish policies and procedures to ensure the completeness and accuracy of the SEFA.